FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
(2016-2019)

THIRD REPORT

(Presented on 8th March, 2017)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2017

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ON

Paragraphs relating to Power, Home and Forest & Wild Life Departments contained in the Report of the Comptroller and Auditor General of India for the financial year ended 31st March 2011 (Revenue Receipts)

880/2017.

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Third Report on paragraphs relating to Power, Home and Forest & Wild Life Departments contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2011 (Revenue Receipts).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2011 (Revenue Receipts) was laid on the Table of the House on 6th March, 2012.

The Committee considered and finalised this Report at the meeting held on 8th February, 2017.

The Committee place on records their appreciation of the assistance rendered to them by the Accountant General by the examination of the Audit Report.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
8th March, 2017.

REPORT

POWER, FOREST AND WILD LIFE AND HOME DEPARTMENTS

AUDIT PARAGRAPH

Tax Administration

The Kerala Electricity Duty Act, 1963 and Rules made thereunder govern the levy of duty on the sale and consumption of electrical energy. Power Department is under the control of the Secretary (Power) at the Government level and the Chief Electrical Inspector administers the Act with the assistance of Additional Chief Electrical Inspector, Dy. Chief Electrical Inspectors, Electrical Inspectors, Dy. Electrical Inspectors and Asst. Electrical Inspectors on technical matters in Headquarters office. There are 15 Electrical Inspectors out of which 14 are in charge of District offices and one is in charge of the Meter Testing and Standards Laboratory.

Trend of Receipts

Actual receipts from electricity duty during the last five years (2006-2007 to 2010-2011) along with the budget estimates during the same period is exhibited in the following table

(₹ in crore)

Year	Budget Estimates	Actual receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts	Percentage of growth
2006-07	265.69	31.78	(-)233.91	(-) 88.04	11,941.82	0.26	0.82
2007-08	250.01	39.04	(-)210.97	(-) 84.38	13,668.95	0.28	22.84
2008-09	136.20	56.00	(-) 80.20	(-) 58.88	15,990.18	0.35	43.44
2009-10	47.24	24.78	(-) 22.46	(-) 47.54	17,625.02	0.14	(-) 55.75
2010-11	64.40	20.71	(-) 43.69	(-) 67.84	21,721.69	0.09	(-)16.42

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The actual receipts from electricity duty was less than the budget estimate during the last five years. The receipts during 2010-11 was ₹ 20.71 crore which was the lowest in the past five years. The Department may analyse the reason for declining trend in revenue and fix realistic targets.

Results of Audit

In 2010-11 we test checked the records of five units relating to Power Department. We detected under assessment/short levy of tax involving ₹ 3,747.11 crore in six cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Short/Non-levy of tax	5	3747.09
2	Other lapses	1	0.02
	Total	6	3747.11

The Department accepted underassessment and other deficiencies of ₹ 2.25 lakh in four cases, of which one case involving ₹ 0.27 lakh was pointed out by us during the year 2010-11 and the rest in earlier years. The Department realised amount of ₹ 0.86 lakh during the year 2010-11.

A few illustrative cases involving ₹ 1,108.76 crore are mentioned in the following paragraphs.

Audit Observations

Scrutiny of the records of various Electrical Inspectorates and Commercial Tax Offices revealed several cases of non-complaince of the provisions of the Kerala Electricity Duty Act, 1963 and Kerala Tax on Luxuries Act, 1976, and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Electrical Inspectors/CTOs are pointed out by us repeatedly but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system.

Power Department

A. Taxes and Duties on Electricity

Non-observance of the provisions of the Kerala Electricity Duty Act and Surcharge Act resulted in non-collection of electricity duty.

Irregular retention of electricity duty by KSEB and resultant under budgeting

(Chief Electrical Inspectorate, Thiruvananthapuram; January 2011)

The Kerala Electricity Duty Act, 1963 authorises licensees to collect and pay to the Government electricity duty under Section 4 and under items number 5 of the schedule to Section 5. The Kerala State Electricity Surcharge Act 1989 empowers the licensees to collect and pay the surcharge duty to Government. Further, the Act provides for payment of interest of not more than 18 per cent in case the dues are not paid in time.

We conducted a review on electricity duty during 2003 and pointed out that electricity duty collected by the Kerala State Electricity Board (KSEB) was not paid to the Government. In response, the Government resolved (November 2006) that electricity duty collected by KSEB till March 2006 would be adjusted against claims due to KSEB, and the electricity duty collected from April 2006 should be promptly paid to Government.

However, we noticed that though KSEB collected electricity duty and other State levies amounting to ₹ 938.14 crore for the years 2006-07 to 2009-10, it did not remit the same to Government. Instead, it retained this amount and provided an additional amount of ₹ 168.91 crore as interest payable at nine per cent in its accounts. Thus the total dues of KSEB at the end of 2009-10 was ₹ 1,107.05 crore. The retention of Government revenue was irregular; as such an action led to significant understatement of revenue from electricity duty in Government accounts. We noticed that even though more than ₹ 300 crore was due as electricity duty, the estimate for budget from electricity duty was reduced year after year which does not give correct picture of revenue realisable under the head of account.

The improper procedure was pointed out to the Department in January 2011 Department stated that Government has constituted a committee to consider the issue.

We pointed out the case to the Government in May 2011, their reply has not be received (December 2011).

[Audit paragraph 7.1 to 7.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Revenue Receipts)]

Notes furnished by Government on the above paragraphs are included as Appendix II.

1. Regarding the audit paragraph, the Additional Secretary, Power Department submitted that the final reply on it would be furnished after the settlement of the issue through netting off, and now the matter was under the consideration of the Finance Department. Then the Accountant General (E & RSA) remarked that netting off was an unreliable procedure and it would adversely affect financial control. He continued that if an amount is to be adjusted, a transfer entry should be entered in the book of accounts. The Committee emphasized the necessity of changing the present accounting system and reminded that all expenditure and receipts should be entered and then net off if necessary. The Committee directed to furnish a detailed note on accounting system. The Chairman, KSEB assured to submit such a note before the Committee.

2. He detailed that certain liabilities since 1998 had to be settled as KSEB was transformed into a company. Total electricity duty along with its interest was due to Government and it would be adjusted against the account that Government owed to KSEB. Final net off would be effected after considering the dues to and from the KSEB. The Accountant General (E & RSA) remarked that unless netting off was done through journal entry, budget and account of KSEB would not be proper.

3. To a query of the Committee, the Chairman, KSEB submitted that the process of adjustment of budget and accounts through journal entry is being done by Power Department. He added that, Electrical Inspectorate would assess the figures of electricity duty based on the computer generated figures submitted by KSEB and assured to furnish the details in the Office of the Accountant General also. The Committee accepted the explanation.

Conclusion/Recommendation

4. The Committee emphasises the necessity of changing the present accounting system. As netting off will adversely affect the financial control, it shall not be entertained. If netting off is inevitable all the receipts and expenditure shall be entered in the book of accounts. The Committee directs the Department to furnish a detailed note on the present practice of accounting system.

AUDIT PARAGRAPH

Loss of revenue due to non-collection of inspection fee

(*Electrical Inspectorate, Thrissur, 4th September 2009*)

Cable TV operators were permitted to draw their net work through utility poles of the Kerala State Electricity Board. The Inspectors in the Electrical Inspectorate should inspect the network and issue a safety certificate based on an application by the operator. The application shall be filed along with a fee of ₹ 5 per pole.

The fee fixed for inspection was ₹ 5 per pole per year which should be paid in advance.

We scrutinised the records of the District Electrical Inspectorate, Thrissur and found that inspection fee of ₹ 11.96 lakh was not collected in respect of 46 cable TV operators for the period 2002-03 to 2008-09.

We pointed out the case in September 2009. The Department (October 2010) stated that they had collected ₹ 8.70 lakh as per their records against ₹ 11.96 lakh pointed out by audit. Further reply in respect of collection of the balance amount is awaited.

We pointed out the case to Government in May 2011; their reply has not been received (December 2011).

[Audit paragraph 7.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Revenue Receipts).]

Notes furnished by Government on the above audit paragraph included as Appendix II.

5. The Committee analysed that chances for accident due to drawing the cable wires in the utility poles without having proper safety measures would be high and directed that Electrical Inspectorate should be vigilant in conducting inspections to ensure safety measures. The Chief Electrical Inspector explained their inability in issuing safety certificates in all cases and informed that many private cable operators were drawing cable with the permission of KSEB but some of them are doing it unauthorisedly. He added that safety certificates were renewed yearly; but no action could be taken against cable operators because of the difficulty in identifying the unauthorised cable lines through electric poles.

6. The Chairman, KSEB submitted that permission was granted for using electric poles for drawing cable lines for the first time exclusively for Asianet in 1991. Though Asianet was the authorized cable operator to use an electric pole, at the same time several other operators were using electric poles unauthorisedly. Considering the uncontrollable leakage of income in this regard, KSEB had revised the rate in 2011 which was stayed by High Court. Later the exclusivity clause was deleted in accordance with the discussion held with cable TV operators and now more operators were being permitted to draw cable through the utility poles of KSEB as per the norms fixed in this regard. Now number of cable TV operators using electric pole in each district is being assessed and physically verified. He added that the verification was completed in Kollam district and it could be completed in other districts by March 31, 2015. Then he detailed the proposed action plan as follows: By January 2015, number of poles through which cable TV operators draw their cable net work would be assessed and verified in field. Fees at the revised rate would be charged from 2011 against the cable TV operators, presuming that they all were using those poles from 2011 onwards. And he added that safety inspection would be carried out by Electrical Inspectorate and fee @ ₹ 5 per pole would be collected and remitted to the Electrical Inspectorate by the Department.

7. The Committee commented that this was not the matter of money only, but safety and security too and directed the Power Department that a condition should be included in which reasonable height should be maintained while drawing cable wires and it should be followed strictly.

8. The Chairman, KSEB informed that owing to the abundance of net work cables drawing through single pole, the fall of a single pole might be a reason for the fall of 4-5 poles and it would also lead to accident. To resolve the problem, a new scheme has likely to be introduced with the initiative of both LSGD and Clean Kerala Campaign in which a group of cable wires were joined together into a panel.

9. The Committee remarked that unlike other States, all cable TV operators in Kerala were independent news providers and in our democratic set up their performance was worthwhile. It directed the Department to take necessary safety measures. The Committee advocated that Power Department should issue necessary direction to conduct inspections in this regard and stringent action should be taken against cable TV operators who failed in maintaining safety measures.

10. The Chairman, KSEB submitted that due to the abundance of cables drawn through electricity poles, Linemen could not climb up the poles for repair works and if the KSEB Linemen were provided the equipment just like that of Asianet operators, their safety could have been ensured. The Committee directed the Power Department that safety precaution should be strengthened.

11. The Committee was informed that shortage of Inspecting Officers and non-submission of application for renewal of license by the concerned parties were the reasons for loss of revenue during the period and also, withdrawal of some licencees from the field owing to the entry of big firms of corporate nature caused revenue loss. The Committee directed the Department that utmost care should be taken to avoid such losses in future and it mooted that the Power Department should take necessary measures to realize the dues properly and account it promptly.

Conclusion/Recommendation

12. The Committee observes that drawing of cables in utility poles of KSEB unauthorisedly and without ensuring proper safety measures by cable TV operators will cause accidents. Hence it warns that Electrical Inspectorate should be vigilant in conducting inspections in time and at regular intervals.

13. The Committee directs the Power Department that a reasonable height should be insisted for drawing cable TV wires through utility poles.

14. The Committee advocates that Power Department should issue necessary direction to conduct inspections to monitor the safety measures taken by cable TV operators while drawing wires through utility poles of KSEB and stringent action should be taken against who violate the safety standards.

15. The Committee direct the Power Department that utmost care should be taken to avoid the loss of revenue in future due to non-collection of inspection fee and direct the Department to realise the dues promptly and properly.

AUDIT PARAGRAPH

Non-remittance of Interest on belated Payment of Electrical duty by Thrissur Municipal Corporation.

(*Chief Electrical Inspectorate, Thiruvananthapuram, January 2011*)

Section 8 of the Kerala Electricity Duty Act, 1963 provides that if any sum due on electricity duty is not paid within the time allowed under Rule 3 of the Kerala Electricity Duty Rule, it shall be treated as arrears. Arrears with interest not exceeding 18 per cent per annum shall be recoverable either through a Civil Court or as an arrear of land revenue.

We noticed that Thrissur Municipal Corporation was liable to pay electricity duty for the period from April 2009 to March 2010 aggregating ₹ 4.15 crore. They paid ₹ 2.84 crore with a delay ranging from 45 to 150 days, leaving a balance of ₹ 1.31 crore. We also found that the interest [1] leviable on the belated remittance of ₹ 2.84 crore worked put to ₹ 9.41 lakh and on the balance amount of ₹ 1.32 crore (for the period April 2010 to January 2011) the interest worked out to ₹ 9.86 lakh. However, the CEI had not initiated any action to recover the arrear amount of ₹ 1.31 crore and the total interest of ₹ 19.28 lakh from the Corporation.

[1] At the rate of nine per cent for delayed payment as worked out in para 7.5.

We pointed this out to the Department and reported it to the Government in February 2011. We have not received further information (December 2011).

[Audit paragraph 7.7 contained in the Report of C&AG of India for the year ended 31 March 2011 (Revenue Receipts).]

Notes furnished by Government on the above audit paragraph is included as Appendix II .

16. Regarding the audit paragraph, the Chairman, K.S.E.B. submitted that Thrissur Municipal Corporation was liable to pay ₹ 23 crore towards Electricity Duty and its interest. He continued that Revenue Recovery proceedings had been initiated to recover the amount and the Corporation had requested for one-time settlement. He deposed that final decision in this regard had not yet been taken and was optimistic that the issue could be settled soon by the High Power Committee. The Committee accepted the explanation.

Conclusion/Recommendation

No Remarks.

FOREST AND WILDLIFE DEPARTMENT

AUDIT PARAGRAPH

Tax Administration of Forest Department

The Forest Department is under the control of the Principal Secretary (Forest) at Government level and the Principal Chief Conservator of Forest is the head of the Department. The Kerala Forest Act, 1961 contains provisions relating to protection and management of forests in the State. The receipts of the Department include receipt from the sale of timber and other forest produce, royalty on raw material supplied, lease, rent, license fee etc.

Trend of Receipts

Actual receipts from Forest during the years 2006-07 to 2010-11 along with the budget estimates during the same period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation	Percentage of variation	Total non tax receipts of the State	Percentage of actual receipts vis-a-vis total non-tax receipts	Percentage of growth
2006-07	250.32	174.56	(-) 75.76	(-) 30.27	844.51	20.67	(-) 7.93
2007-08	268.44	154.45	(-) 113.99	(-) 42.46	1,078.00	14.33	(-) 11.52
2008-09	191.21	223.71	(+) 32.50	(+) 17.00	1,390.00	16.09	44.84
2009-10	227.80	272.80	(+) 45.00	(+) 19.82	1,633.22	16.70	21.94
2010-11	360.11	274.10	(-) 86.01	(-) 23.88	1739.58	15.75	0.47

We noticed that though actual receipts increased marginally during 2010-11 further, they were less than the budget estimates by 23.88 per cent.

Results of Audit

In 2010-11 we test checked records of 43 units relating to the Forest Department and noticed underassessment of tax and other irregularities involving ₹ 3.83 crore in nine cases which fall under the following categories:

(₹ in crore)

Sl.No.	Categories	No. of cases	Amount
1	Non-realisation of revenue due to inordinate delay in taking decision by the High Power Committee	1	2.63
2	Blocking up of revenue on account of surrender of raw materials allotted	1	0.71
3	others	7	0.49
	Total	9	3.83

The Department accepted and recovered underassessment and other deficiencies of ₹ 45.34 lakh in 12 cases, related to earlier years.

A few illustrative cases involving ₹ 10.03 crore are mentioned in the following paragraphs:

AUDIT OBSERVATIONS

Scrutiny of the records of Police Department and Forest Department revealed cases of non-compliance of the provisions and other cases as mentioned in the succeeding paragraphs in the chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Department officers are pointed out in audit each year but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for Government to improve the internal control system including strengthening of the internal audit.

[Audit paragraphs 8.1 to 8.4 contained in the Report of the C & AG of India for the year ended 31st March 2011 (Revenue Receipts).]

Notes furnished by Government on the above audit paragraph is included as Appendix-II.

17. To a query regarding the huge variation between budget estimates and actual receipts, the witness Principal Chief Conservator of Forests (Development & PFM) submitted that the market rate for the works like dragging and cutting of timber was much higher than the Schedule of Rates fixed by the Forest Department. The rate quoted by the Department was fixed years back and steps were initiated to revise the same and even the expected amount with regard to the felling and harvesting of trees could be received very late and it resulted in the fluctuation to the tune of -42 to +20 percentage in receipts. The witness, Principal Chief Conservator of Forests (Development & PFM) supplemented that the revision of Schedule of Rates was a matter of serious concern and taken up that with Government.

18. Regarding the irregularities as well as shortfall in collection pointed out by AG, the Principal Chief Conservator of Forests submitted that major amount

was pending with Public Sector Undertakings ie KSEB, KFDC etc. He added that there was a dispute whether amount had to be paid by Government or by PSUs. He added that after the meeting of the High Power Committee, they would approach Government for negotiation and the dispute was still going on. In this regard, an official from the Office of the Accountant General informed that the amount included not only figures relating to tree felling but also lease arrears. The Principal Chief Conservator of Forests (Development & PFM) submitted that lease arrears comprised three parts viz., Principal, Interest and Penal interest. As long as final decision regarding the receiving interest and penal interest could not be arrived at, the amount of arrears varied. The Committee remarked that whatever be the reason, if the Department agreed with the objection of Accountant General, immediate action should be taken to realize the amount.

Conclusion/Recommendation

19. The Committee directs the Department to take immediate action to realize the lease arrears.

B. Forest Receipts

AUDIT PARAGRAPH

Non- observance of the provisions of penal interest and seignorage rate of forest produce resulted in short/non-levy of ₹ 3.40 crore as mentioned in paragraph 8.6 and 8.7.

Non -levy of penal interest on belated payment of lease rent

(DFO, Punalur; November 2010)

Government leases out forest land to various PSUs for cultivating rubber or other crops. The Department levies lease rent at the rates prescribed by the Government from time to time. The lease rent payable was ₹ 1,300 per hectare from 1992-93 onwards. The lease rent shall be payable for each financial year. The conditions of agreement of lease stipulates that interest at compound rate of nine per cent shall be payable on all defaulted payments.

We scrutinised the records of the Divisional Forest Office (DFO), Punalur and noticed that during the period between 1993-94 and 2003-04, the State

Farming Corporation of Kerala (SFCK) Ltd. paid lease rent at the rate of ₹ 400 per hectare on 2,345.775 Ha. of forest land instead of at the correct rate of ₹ 1,300 per hectare resulting in short payment of lease rent of ₹ 2.05 crore. The short payment of lease rent attracts levy of interest at the prescribed rates. The DFO did not levy interest of ₹ 3.07 crore or defaulted lease rent from 1993-94 to 2009-10.

After we pointed out, the Department stated that a countersigned chalan for the amount would be sent to SFCK soon after reporting the matter to the Government.

We reported the matter to the Government in December 2010. we have not received any further information from them.

[Audit Paragraph 8.6 contained in the Report of C&AG of India for the year ended 31st March 2011 (Revenue Receipts).]

Notes furnished by Government on the above audit paragraph is included as Appendix II.

20. Regarding the audit paragraph, the official from the Office of the Accountant General informed that the State Farming Corporation of Kerala (SFCK) had remitted the lease rent at old rate of ₹ 410, instead of the revised ₹ 1300 per hectare per annum from 1992-93 to 2003-2004 and hence a considerable amount was outstanding towards lease rent. When the Committee desired to have the latest position of the case, the Additional Chief Secretary, Forest and Wildlife Department submitted that there was a Judgement in favour of State Farming Corporation of Kerala and accodingly, SFCK had to pay the lease rate at higher rate only with effect from 2002. The main arguement was that the Act was amended only in 2002. The witness, Additional Chief Conservator of Forests supplemented that 8538 hectare land had been given to private parties as per the provisions laid down in Kerala Grants and Leases (Modification of Rights) Act and whose lease rent was revised to ₹ 1300 with effect from 2009 only. In a meeting convened by the Chief Minister of Kerala, it was decided that the same amount received from private parties need to be collected from SFCK, but the Government Order in this regard had not been issued. SFCK was awaited to settle the issue through one time settlement exempting compound interest and penal interest. The Committee accepted the explanation.

Conclusion/Recommendation

No Remarks.

AUDIT PARAGRAPH

Short Collection of Seigniorage in receipt of Sand Sold

(DFO, Thiruvananthapuram, November 2010)

Seigniorage rate is the rate fixed as the minimum amount that must be assured to Government by sale of trees and other forest produce collected from within the forest. The Government revised the seigniorage rate of timber and other forest produce in May 2010. The rates applicable for sand was revised from ₹ 78 per cub. Metre to ₹ 1,000 per cub. Metre.

We noticed in the Divisional Office, Thiruvananthapuram, that the Range Officer adopted seigniorage rate between ₹ 78 per cub. Metre and ₹ 958 per cub. Metre on 4210 cub. Metre of sand lifted from two places at Kulathupuzha range during the period from May 2010 to September 2010. The Department did not collect seigniorage at the revised rate of ₹ 1000 per cub. Metre which resulted in short collection of revenue of ₹ 32.62 lakh including VAT and cess.

We pointed out the mistake to the Department in October 2010 and the Department stated that reply would be furnished.

We reported the matter to the Government in December 2010. We have not received a reply from them.

Audit Paragraph 8.7 contained in the Report of Comptroller & Auditor General of India for the year ended 31st March 2011 (Revenue Receipts).

Notes furnished by Government on the above audit Paragraph is included as Appendix II.

21. To a query, the Additional Chief Secretary, Forest and Wildlife Department raised objection regarding the amount of ₹ 32 lakhs put forth by Audit as short collection. He claimed that actual figure was ₹ 8.7 lakhs, since the rate of sand for BPL people was not revised in tune with the enhancement of rates. There was one month's delay in getting the rate revision order at the range level,

which resulted in short collection. He explained that in the meantime, sand had been distributed to many people, it would be difficult to recover the amount. The Committee directed the Forest and Wildlife Department to take concerted effort to realise the short levied amount.

Conclusion/Recommendation

22. The Committee criticises the Forest and Wildlife Department for the short collection of seigniorage in the receipts of Sand sold which resulted in loss of revenue to the tune of ₹ 32.62 lakh and directs the department to expedite action to realise the short levied amount.

HOME DEPARTMENT

AUDIT PARAGRAPH

A. Police Receipts

Non-observance of the instruction of Director General of Police (DGP) had resulted in non-realisation of incentive of ₹ 6.63 crore from the Government of India.

loss of revenue due to delayed submission of passport verification report

(Office of the Director General of Police, Thiruvananthapuram)

Government of India (GOI) launched a scheme of decentralisation of Passport services at the district level in June 2002. In order to encourage the police authorities to submit Passport Verification Reports (PVRs) in time, the Government introduced an incentive scheme in October 2003. The scheme was revised in September 2005. It envisages that incentive of ₹ 100 would be reimbursed for all PVRs received within 20 days and ₹ 25 for all PVRs received after 21 days. Police Department had given specific direction (June 2009 and April 2010) to all Commisioners/Superintendents of Police to forward all passport verification reports within 20 days so as to avoid hardship to common man and avoid loss of revenue to Government.

We noticed that during 2008 to 2010 the Department received 10,37,796 passport applications from the Regional Passport Office for verification. But the

Department, after verification had forwarded only 1,53,657 applications within 20 days which is only 15 per cent of the total applications received. Delay in forwarding the remaining 85 percent PVRs resulted in revenue loss of ₹ 6.63 crore.

We pointed out the matter to the Department in June 2011. We have not received their replies.

We pointed this out to the Government in August 2011; their reply has not been received (December 2011).

[Audit Paragraph 8.5 contained in the Report of C&AG of India for the year ended 31 March 2011 (Revenue Receipts).]

Notes furnished by Government in the above audit paragraph is included as Appendix II.

23. The Committee wanted to know the details regarding the loss of revenue due to delay in submission of Passport Verification Report. The witness, Deputy Superintendant (Security) submitted that Passport Verification was being conducted by local police and in most cases the applicants would not be available at their residence at the time of enquiry. Since Passport Verification Report should be conducted only after enquiry of the applicant in person, it would delay the whole procedure. Also due to the ecological particulars of districts like Wyanad and Idukki, Police men had to travel more than 170 kms for verification and if the applicant was not available when the police men arrived the site, PVR could not filed in time. When explanation sought for from the Superintendants of police in this regard, they submitted that dearth of infrastructural facilities as the reason behind. Since the available fund was not sufficient enough to set up the infrastructural facilities, a proposal was forwarded to Home Department in this regard, which was under consideration. Similarly with the increase in the fee for passport application incentive for verification ie ₹ 100 for PVR within 20 days; ₹25 after 20 days had not been raised.

24. The Committee opined that when the applicant was away from his residence for study purpose, PVR should be returned specifying that reason rather than reporting the applicant was not available. Then the Deputy Superintendant

(Security) submitted that if the applicant was a resident learner somewhere else, the address of that institution would be considered. The Accountant General (E & RSA) informed that when a person was away from the residence for study purpose for more than one year, he had to apply for passport in that respective office itself.

25. To a query regarding the measures taken for the speedy verification of passport application, Deputy Superintendant (Security) submitted that instructions had been issued in this regard. He explained that it was the duty of the policemen to conduct such investigations also, in addition to the maintenance of law and order. He submitted that with the increase in the workload, the staff strength had not been increased proportionately. As Passport Office would not function on Saturdays and Sundays, an application despatched on Friday for verification, would be received only after a few days. Similarly a verification report sent on Friday would be received at the Passport Office only after 2 or 3 days. The time limit for submitting Passport Verification Report was inclusive of both despatch date and the date received. He informed that for those the department could not act within the stipulated time limit and necessary steps had been taken to bring such anomalies before the appropriate authorities. When enquired the present status of pendency the witness, Deputy Superintendent (Security) deposed that it was not readily available and assured to furnish a report after collecting necessary data in this regard.

26. The Committee decided to recommend that Home Department should take conscientious effort to accelerate the procedures for passport verification. It directed the Department to increase the infrastructure facility and man power in the Department so as to enable to complete the passport verification procedure within the stipulated time and also decided to recommend to enhance the incentive for verification appropriately.

Conclusion/Recommendation

27. The Committee remarks that if a person applying for passport was not present in the residence for a period, then PVR should be returned specifying the exact reason rather than reporting that the person was not available for verification.

28. The Committee expressed its displeasure over the irresponsible attitude of the officials of Home Department as they failed to furnish the details of cases pending for PVR at the time of the meeting. It urges the Home Department to furnish the details of cases in this regard to it at the earliest.

29. The Committee directs that Home Department should speed up the process of passport verification. It also directs to improve the infrastructure facility and manpower to complete the verification procedure within the stipulated period and recommends to enhance the incentive for verification.

Thiruvananthapuram,
8th March, 2017.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

APPENDIX- I

Summary of Main Conclusion/Recommendation

Sl.No.	Para No.	Department concerned	Conclusion/Recommendation
(1)	(2)	(3)	(4)
1	4	Power Department	The Committee emphasises the necessity of changing the present accounting system. As netting off will adversely affect the financial control, it shall not be entertained. If netting off is inevitable all the receipts and expenditure shall be entered in the book of accounts. The Committee directs the Department to furnish a detailed note on the present practice of accounting system.
2	12	Power Department	The Committee observes that drawing of cables in utility poles of KSEB unauthorisedly and without ensuring proper safety measures by cable TV operators will cause accidents. Hence it warns that Electrical Inspectorate should be vigilant in conducting inspections in time and at regular intervals.
3	13	Power Department	The Committee directs the Power Department that a reasonable height should be insisted for drawing cable TV wires through utility poles.
4	14	Power Department	The Committee advocates that Power Department should issue necessary direction to conduct inspections to monitor the safety measures taken by cable TV operators while drawing wires through utility poles of K.S.E.B. and stringent action should be taken against who violate the safety standards.

1	2	3	4
5	15	Power Department	The Committee direct the Power Department that utmost care should be taken to avoid the loss of revenue in future due to non-collection of inspection fee and direct the Department to realise the dues promptly and properly.
6	19	Forest & Wildlife Department	The Committee directs the Department to take immediate action to realize the lease arrears.
7	22	Forest & Wildlife Department	The Committee criticises the Forest and Wildlife Department for the short collection of seigniorage in the receipts of Sand sold which resulted in loss of revenue to the tune of ₹ 32.62 lakh and directs the department to expedite action to realise the short levied amount.
8	27	Home Departments	The Committee remarks that if a person applying for passport was not present in the residence for a period, then PVR should be returned specifying the exact reason rather than reporting that the person was not available for verification.
9	28	Home Departments	The Committee expressed its displeasure over the irresponsible attitude of the officials of Home Department as they failed to furnish the details of cases pending for PVR at the time of the meeting. It urges the Home Department to furnish the details of cases in this regard to it at the earliest.
10	29	Home Departments	The Committee directs that Home Department should speed up the process of passport verification. It also directs to improve the infrastructure facility and manpower to complete the verification procedure within the stipulated period and recommends to enhance the incentive for verification.

APPENDIX II

NOTES FURNISHED BY GOVERNMENT

Laboratory

7.2 Trend of Receipts

Actual receipts from Electricity Duty during the last five years (2006 - 07 to 2010 - 11) along with the budget estimates during the same period is exhibited in the following table

Year	Budget Estimates	Actual receipts	Variation	Percentage of Variation	Total Tax receipts of the state	Percentage of actual receipts vis-a-vis total tax receipts	Percentage of growth
2006- 07	265.69	31.78	(-) 233.91	(-) 88.04	11,941.82	0.26	0.82
2007-08	250.01	39.04	(-) 210.97	(-) 84.38	13,668.95	0.28	22.84
2008-09	136.20	56.00	(-) 80.20	(-) 58.88	15,990.18	0.35	43.44
2009-10	47.24	24.78	(-) 22.46	(-) 47.54	17,625.02	0.14	(-) 55.75
2010-11	64.40	20.71	(-) 43.69	(-) 67.84	21,721.69	0.09	(-) 16.42

The actual receipts from electricity duty was less than the budget estimate during the last five years. The receipts during 2010 - 11 was Rs. 20.71 crore which was the lowest in the past five yesrs. The department may analyse the reason for the declining trend in revenue and fix realistic tergets

The major portion of the Budget Estimate belongs to Kerala State Electricity Board. Unfortunately for the past few years, Kerala State Electricity Board has either adjusted or remitted any amount towards Electricity duty and surcharge. That is the reason for the declining trend in revenue towards Electricity duty and surcharge.

7.3 Result of Audit

In 2010- 11 we test checked the records of five units relating to Power Department. We detected under assessment/short levy of tax involving Rs. 3,747.11 crore in six cases which fall under the following categories

Sl. No	Categories	No. of Cases	Amount
1	Short/Non levy of Tax	5	3747.09
2	Other lapses	1	0.02
	Total	6	3747.11

Since 1989 no cash remittance is made by Kerala State Electricity Board to Government.

Government vide G.O (Ms) No. 25/02/PD dated 19. 10. 2002 amended as G.O (Ms) No. 35/10/PD dated 13.0 2. 2010 have decided to net off the dues between Government and KSEB up to 31. 03. 2002. As per G.O (Ms) No. 36/08/PD dated 19. 09. 2008, Government have constituted a committee for netting off the dues between Government and

The Department accepted underassessment and other deficiencies of Rs. 2.25 lakh in four cases, of which one case involving Rs. 0.27 lakh was pointed out by us during the year 2010 - 11 and the rest in the earlier years. The Department released an amount of Rs. 0.86 lakh during the year 2010 - 11

A few illustraative cases involving Rs. 1,108.76 crore are mentioned in the following paragraphs

KSEB up to 31. 03. 2006. After this, Government have also decided to net off the dues from KSEB up to 2012. The Electrical Inspectorate Department has worked out the dues from KSEB to Government for that period from 01. 04. 2002 and forwarded to KSEB for reconciliation. But the reconciled statement has not received so far

The details of other Licensees are as follows

Sl No	Name of Licensee	Electricity duty Pending as on 31. 03. 2011	Penal Intereast as on 31. 03. 2011
1	M/s Thrissur Corporation	65172780.54	39138366.75
2	M/s Cochin Shipyard	64638.78	28889.03
3	M/s Cochin Port Trust	Nil	Nil
4	M/s Cochin Special Economic Zone	1014571.73	207150.83
5	M/s Kannan Devan Hill Plantations	3048785.55	854470.14
6	M/s Rubber Park	165356.36	26602.51
7	M/s KINSCO	Nil	4507.03
8	M/s Techno Park	30225.53	17158

Total	69496358.49	40277144.29
Grand Total	109773502.78	

The above arrears are included in the inspection report conducted by the Electrical Inspectorate Department along with the direction to remit the same under the head 0043 - 101 - 99 and forwarded to the original Chelan to the O/o Chief Electrical Inspector.

[Revised action taken statement on this audit paragraph is included in page 51]

7.4 Audit Observation	Scrutiny of the records various Electrical Inspectorates and Commercial tax Offices revealed several cases of non-compliance of the provisions of the Kerala Electricity Duty Act. 1963 and Kerala Tax on Luxuries Act , 1976, and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on on a test check carried out in audit. Such omissions on the part of the Electrical Inspectors/CTOs are pointed out by us repeatedly but not only the irregularities persist these remains undetected till an audit is conducted. There is need for the Government to improve the internal control system	Necessary direction is being given to all sub office of the Electrical Inspectorate Department, to comply with the provisions of Kerala Electricity Duty Act 1963

7.7 Non - remittance of interest on belated payment of Electricity Duty by Thrissur Municipal Corporation

(Chief Electrical Inspectorate, Thiruvananthapuram; January 2011)

Section 8 of the Kerala Electricity Duty Act, 1963 provided that if any sum due on electricity duty is not paid witin the time allowed under Rule 3 of the Kerala Electicity Duty Rule, it shall be treated as arrears. Arrears with interest not exceeding 18 per cent per annum shall be reco-verable either through either through a Civil Court or as an arrear of land revenue

We noticed that Thrissur Municipal corporation was liable to pay electricity duty for the period from April 2009 to March 2010 aggregating Rs 4.15 crore. They paid Rs 2.84 crore with a delay ranging from 45 to 150 days, leaving a balance of Rs. 1.31 crore. We also found that interest leviable on the belated remittance of Rs 2.84 crore worked out to Rs. 9.41 lakh and on the balance anmount of Rs. 1.32 crore(for the period April 2010 to January 2011) the interest worked out to Rs. 9.86 lakh. However, the CEI had not initiated any action to recover the arrear amount of Rs. 1.31 crore and the total interest of Rs 19.28 lakh from the Corporation

We pointed this out to the Department and reported it to the Government in february 2011. We have not received further information(December 2011)

Chief Electrical Inspector's as per letter No. H1- 8860/2012 dated 11. 05. 2012 has intimated to Government that Thrissur Corporation has to remit an amount of Rs. 10,43,11,152 towards Electricity Duty and Penal Interest thereon up to 31. 03. 2010. Government vide letter No. 4335/C2/05/PD dated 1. 06. 2012 addressed to the Secretary, Thrissur Corporation, had already requested to take necessary step to remit the above amount. But Thrissur Corporation neither remitted the amount nor replied so far.

GOVERNMENT OF KERALA

POWER (C) DEPARTMENT

STATEMENT OF ACTION TAKEN BY GOVERNMENT ON THE AUDIT PARA NO. 7.6 CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 2011 (REVENUE RECEIPTS).

Sl. No.	Para No.	Audit Para	Action Taken by Government.
1.	7.6	<u>Loss of revenue due to non-collection of inspection fee :-</u> Cable TV operators were permitted to draw their net work through utility poles of the Kerala State Electricity Board. The inspectors in the Electrical Inspectorate should inspect the network and issue a safety certificate based on an application by the operator. The application shall be filed along with a fee of Rs.5/- per pole. The fee fixed for inspection was Rs.5/- per pole per year which should be paid in advance. We scrutinised the records of the District Electrical Inspectorate, Thrisslur and found that inspection fee of Rs. 11.96 lakh was not collected in respect of 46 cable TV operators for the period 2002-03 to 2008-09. We pointed out the case in September 2009. The Department (October 2010) stated that they had collected Rs. 8.70 lakh as per their records, agaisnt Rs. 11.96 lakh pointed out by audit. Further reply in respect of collection of the balance amount is awaited. We pointed out the case to the Government in May 2011; their reply has not been received (December 2011).	The loss of Revenue due to non-collection of Inspection Fee from 46 Cable TV operators of Thrissur District pointed out by the Audit Team of Accountant General during their audit period from 2007 to 2009 is reported as Rs. 11.96 Lakhs. This amount was raised by the Team by referring two registers out of the total 4 registers. The other two volumes could not be submitted to the Audit Team at the time of audit since they were misplaced and details of fees were scattered among these 4 registers. Subsequently the Register were traced out and found more details of remittance of inspection fees and the details were submitted to that office earlier. The amount obtained from these two registers were Rs. 8.69 Lashs (11.96-8.69=3.27 lakhs only). This the actual revenue loss comes out as Rs. 3.27 Lakhs only. The reason for loss of revenue is due to the shortage of inspecting officers during the period and non submission of application for renewal of licenses by the concerned parties. All inspections had been conducted and necessary inspection fees were collected against each application received. The other reason was due to the withdrawal of some licensees from the field owing to the entry of big firms of corporate nature. Under such circumstances the Chief Electrical Inspector has reported that the loss of revenue to government was not made purposefully and utmost care will be taken to check such loss in future. In view of the above, the Audit para may be dropped. G. BALACHANDRAN NAIR

Action Taken Report on the observations contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011(Revenue Receipts)

Para No.	Observations.	Action taken.
8.1	**Tax administration of Forest Department.** The Forest department is under the control of the Principal Secretary (Forest) at Governmental Level and the Principal Chief Conservator of Forests is the Head of the department. The Kerala Forest act, 1961 contains provisions relating to protection and management of Forests in the state. The receipts of the Department include receipts from the sale of timber and other forest produce, royalty on raw materials supplied, lease rent, licence fee etc.	The Forest Department is presently headed by the Additional Chief Secretary to the Government (Forest). The Principal Chief Conservator of Forests and Head of Forest Force is the Head of the Department. The protection and management of Forest in the State is as per Kerala Forest Act 1961, Kerala Forest Code and Working Plans approved by the Central Government.
8.2	**Trend of Receipts.** Actual Receipts from Forest during years 2006-07 to 2010-11 along with budget estimates during the same period is exhibited in the table and graph. We noticed that though actual receipts increased marginally during 2010-11, further, they were less than budget estimates by 23.88 per cent.	The Budget estimates are prepared based on Annual Plan of Operation of the Department which is based on working plans. The revenue targets are fixed on the basis of proposed timber extraction works etc. But these timber extraction works could not be carried out due to low Forest Schedule of rates as compared with local rates mainly for timber dragging and transportation. The shortage of funds, delay in receipt of LoC etc are other factors. Though the department strives hard to prepare realistic budget estimates, in some years variation is noticed due to above mentioned factors.

3

Results of Audit.

In 2010-11 we test checked records of 43 units relating to the Forest Department and noticed underassessment of tax and other irregularities involving Rs.3.83 crore in nine cases under the following categories.

Sl. No	categories	No of cases	Amount (Rs in crore)
1	Non-realization of revenue due to inordinate delay in taking decision by the High Power Committee.	1	2.63
2	Blocking up of revenue on account of surrender of raw materials allotted.	1	0.71
3	Others.	7	0.49
	Total	9	3.83

The Department accepted and recovered the underassessment of other deficiencies of Rs.45.34 lakh in 12 cases, related to earlier years.

The replies to the para is submitted below:-

1, The arrears of Revenue to be decided by High Power committees relate to arrears due from KSEB, KFDC, SFCK, PCK etc. Several meetings were convened to resolve the issue and is under discussions with representatives of PSUs.

2, The surrender of raw material is mostly due to delay in extraction by HNL and penalty is levied in such cases. If the surrender is due to poor stock, appropriate action is taken after verification.

3, The individual cases are settled at division/ circle level offices.

In 12 cases related to earlier years, as the amount pointed by the audit in the reports have been recovered, no further action is necessary now.

4	**Audit observations.** Scrutiny of the records of the Police Department and Forest Department revealed cases on non-compliance of the provisions and other cases mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on test checks carried out in audit. Such omissions on the part of the Departmental officers are pointed out in audit each year but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for Government to improve the internal control system including strengthening of the internal audit.	The internal audit wing has been strengthened now and all possible steps are taken to check the irregularities. It may kindly be noted that due to large number of activities undertaken by the Department, some of the irregularities could not be detected on time. However, all the efforts are taken to contain these irregularities.

GOVERNMENT OF KERALA

STATEMENT OF REMEDIAL MEASURES TAKEN ON THE REPORT OF COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 2011 (REVENUE RECEIPTS), GOVT. OF KERALA

Sl. No.	Para No.	Name of Dept	Observation/ Recommendations	ACTION TAKEN
1	8.5	Home Dept.	Loss of revenue due to delayed submission of passport verification report Govt. of India (GoI) launched a scheme of decentralization of passport services at district level in June 2002. In order to encourage the police authorities to submit Passport Verification Reports (PVRs) in time, the Govt. introduced an incentive scheme in October 2003. The scheme was revised in September 2005. It envisages that incentive of Rs.100 would be reimbursed for all PVRs received within 20 days and Rs.25 for all PVRs received after 21 days. Police department had given specific direction (June 2009 and April 2010) to all Commissioners/Superintendents of Police to forward all passport verification reports within 20 days so as to avoid hardship to common man and avoid loss of revenue to Govt.	Passport verification is an activity which has to be undertaken in a thorough and meticulous manner in the current internal security scenario where terrorism with international linkages is a major challenge. Hence passport verification may take time beyond the eligibility period of incentive. In some cases, the applicants may not be available at their residence at the time of enquiry. The enquiry officers have to wait for their return, which inturn results in the delay of verification process. Due to lack of adequate communication and transport facilities , the policemen in some of the districts like Idukki have to travel more than 80 to 170 Kms for collection of Passport applications from passport office. Difficulties are being faced in finding the location of the applicants residing in remote areas. Eventhough verification reports are submitted two or three days prior to the ending of the eligibility period for incentive, the date of receipts are counted only when the same is fed in

					the computer at the passport office. A large number of applications for passport verification are being received in some districts like Malappuram which cause delay in completing the enquiry in time with the existing manpower. During the last few years, the work load on account of passport verification and duties related to law and order have increased. But the availability of the staff in the Police Stations has not been increased proportionately. The delay in submitting the passport verification report is not deliberate. However, earnest efforts are being taken to expedite the reports so as to avoid the loss of revenue on account of incentives. Passport verification has been included in the Kerala State Right to Services Act, 2012 stipulating 20 days time limit for completing the verification in passport applications.

GOVERNMENT OF KERALA

POWER (C) DEPARTMENT

STATEMENT OF ACTION TAKEN BY GOVERNMENT ON THE AUDIT PARA 7.5 CONTAINED IN THE REPORT OF THE COMPTROLLER & AUDIT GENERAL FOR THE YEAR ENDED 31-03-2011 (REVENUE RECEIPTS).

Sl. No.	Para No.	Para	Action taken by Government
1	7.5	**Irregular retention of electricity duty by KSEB and resultant under budgeting.** We conducted a review on electricity duty during 2003 and pointed out that electricity duty collected by the Kerala State Electricity Board (KSEB) was not paid to the Government. In response, the Government resolved (November 2006) that electricity duty collected by KSEB till March 2006 would be adjusted against claims due to KSEB, and the electricity duty collected from April 2006 should be promptly paid to Government. However, we noticed that though KSEB collected electricity duty and other State levies amounting to ₹ 938.14 crore for the years 2006-07 to 2009-10, it did not remit the same to Government. Instead, it retained this amount and provided an additional amount of ₹ 168.91 crore as interest payable at nine *per cent* in its accounts. Thus the total dues of KSEB at the end of 2009-10 was	As huge amounts payable by the Government of Kerala to KSEB towards subsidy to achieve 3% Rate of Return and subsidy towards allowing Pre-92 tariff were due, the electricity duty, surcharge and other sums payable by KSEB to Government of Kerala were not remitted. Even though the Kerala Electricity Duty Act, 1963 provides for levy of penal interest for non-payment/belated payment of electricity duty, the Government had not fixed any rate of interest payable by KSEB Limited under Section 8 of the Act and had not insisted on the payment of interest on electricity duty since at any point of time the amount payable by Government to KSEB on account of subsidy etc. was much more that the Electricity Duty payable by the Board to the Government. Besides, the Board had taken a consistent stand that if Government had released the subsidy amount timely, the electricity duty could have been paid in time, avoiding any scope for levy of penal interest against the Board for non-payment of the duty. There fore, duty payable by KSEB had to be netted off at the corresponding points of time. More over, Section 65 of the Central Electricity Act, 2003 provides as follows :- "If the State Government requires to grant any subsidy to any consumer or class of consumers on the tariff determined

₹ 1,107.05 crore. The retention of Government revenue was irregularly as such an action led to significant under statement of revenue from electricity duty in Government accounts. We noticed that even though morel than ₹ 300 crore was due as electricity duty, the estimate for budget from electricity duty was reduced year after year which does not give correct picture of revenue realisable under the head of account.

The improper procedure was pointed out to the Department in January 2011. The Department stated that Government has constituted a committee to consider the issue.

We pointed out the case to the Government in May 2011; their reply has not been received (December 2011).

by the State Commission, the State Government shall, not withstanding any direction which may be given under Section 108, pay in advance in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the license or any other person concerned to implement the subsidy provided for by the State Government...............".

Hence the KSEB pointed out that interest against non-release of subsidy by Government should also be taken into account, if Government insisted for interest on electricity duty. According to the Board, they were losing heavily on interest due to delayed receipt of such huge arrears and consequently high cost borrowings had to be relied upon.

Government had issued order vide G. O (Ms) No. 25/02/PD dated 09-10-02 to net off the dues between KSEB and Government of Kerala as on 31-03-2002. The Government order was issued based on the estimated figures, as the accounts of KSEB was not finalized at that time. The Board vide letter dated 29-10-2004 had requested the Government to consider the figures as per the audited accounts certified by Accountant General on 07-06-04, and issue revised Government Order for netting off the dues between the Board and the Government. The Kerala State Electricity Regulatory Commission also directed to settle the netting off dues.

Several meetings were held on the subject and in the meeting held on 25-11-2006 by Principal Secretary (Finance) with Principal Secretary (Power) and Chairman, Kerala State Electricity Board, it was felt that as the Government were not in a position to pay KSEB such huge amounts, it was proposed before KSEB to write off the amount receivable from Government of Kerala after netting off dues amounting to ₹ 2002.30 crores in 5 years starting from 2006-07. As per the subsequent settlement arrived at with KSEB, the net subsidy due to the Board as on 31-03-2006 amounting to ₹ 2002.30 crores as detailed below has to be written off by the Board at ₹ 400 crores each beginning with the financial year 2006-07.

(Rs. in Crores)

	Gross amount due to KSEB	Amount As on 31-03-2006
(a)	Subsidy for 3% ROR	4098.32
(b)	Subsidy for allowing Pre 92-tariff	387.03
	(A) Total dues to KSEB	4485.35
	Amount due to Government	
(a)	Duty Payable	1692.01
(b)	Guarantee Commission	39.76
(c)	State Government loan outstanding	377.69
(d)	Interest on State Government loan	373.59
	(B) Total dues to Government	2483.05
	(C) Balance due to the Board (A) - (B)	**2002.30**

The surcharge payable by the Board to Government of Kerala as on 31-03-2006 amounting to ₹ 46.77 crores is included in the duty payable amount of ₹ 1692.01 crores mentioned above.

This being the case, the Government vide order G. O (Ms) No. 36/08/PD dated 19-09-2008 ordered again to constitute a committee comprising of the Chairman, KSEB, Secretary, Power Department and Principal Secretary, Finance

Department to examine the issue once again and submit a report to the Government.

In the meanwhile, in exercise of power conferred under Section 131 and 133 of the Electricity Act, 2003, Government notified the Kerala Electricity First Transfer Scheme, 2008 as per G. O (Ms) No. 37/08/PD dated 25-09-2008, vesting the assets and liabilities of the erstwhile KSEB in Government subsequently Government issued the Kerala Electricity Second Transfer Scheme (Re-vesting), revesting the assets and liabilities of erstwhile KSEB in to the Kerala State Electricity Board Limited, a fully owned Government Company, constituted under the Companies Act, 1956.

In the meeting of the committee held on 23-03-2009, it was decided, interalia, that KSEB and CEI would try to reconcile the figures of duty payable as on 31-03-2008 and that after such reconciliation, the restructuring account in respect of the re-organisation of the KSEB into the proposed corporate entity, as per the provision of the Electricity Act, 2003 would be prepared by the consultants, and along with the transfer scheme this would be submitted to Government through KSEB for approval.

Vide G. O (Ms) No. 35/2010/PD dated 13-12-2010, Government ordered that the netting off dues between Government and KSEB would be done after reconciling, the final audited figures furnished by KSEB with Government account.

As per G. O (P) No. 46/13/PD dated 26-10-2013 Kerala Electricity Second Transfer Scheme (Re-vesting) was issued re-vesting the assets and liabilities of the erstwhile KSE Board into KSEB Limited. As per G. O (P) No. 3/15/PD dated 28-01-2015, Government notified the Kerala Electricity Second Transfer (Amendment) Scheme (Re-vesting), 2015 finalizing the arrangements for funding the pension liabilities of KSEB

Limited as on 31-10-2013. The figures on 'Other Current Liabilities' in the Balance Sheet of KSEB Limited as on 01-11-2013, incorporated in Part II of Schedule A to the Second Transfer Scheme, includes the balance amount of Electricity Duty of ₹ 435.62 crore to be paid by KSEBL to Government.

As already pointed out KSEBL has not been paying electricity duty and surcharge collected from consumers to Government for over a decade, on the ground that huge amounts of subsidy and other dues payable by Government were in arrears at any point of time during the period. In the aforesaid circumstances, the aspect of issuing formal orders on netting off of dues of KSEB towards Government on account of electricity duty and surcharge, collected from consumers and payable to Government by KSEB and the arrears to be paid to KSEB by Government, such as various subsidies on account of 3% Rate of Return (RoR) and exemption from revised tariff/thermal surcharge; MD waiver etc, as on 31-10-2013, the date of re-vesting the assets and liabilities of erstwhile KSEB into KSEB Limited was examined in detail by Government.

Consequently Government issued G. O (Ms) No. 17/2015/PD dated 13-05-2015 which ordered, inter alia as follows:-

(i) The proposal of KSEB Limited for finalizing accounts after netting off of dues between KSEB and Government up to 31-10-2013, the date of re-vesting the assets and liabilities of erstwhile KSEB into the Kerala State Electricity Board Limited stands approved. The netting off of accounts has been done on the basis of the principal figures of Electricity Duty and Surcharge (excluding penal interest on non-payment of Electricity Duty and Surcharge), as furnished by the KSEB Limited and after the adjustment, the balance Electricity Duty

			available with KSEB Limited as on 31-10-2013 is ₹ 435.62 crore. (ii) KSEB Limited shall ensure that Electricity duty is remitted to Government from the FY 2015-16 onwards, failing which penal interest will be imposed, as provided under the Kerala Electricity Duty Act, 1963 and relevant Government Orders. (iii) If any subsidy is ordered to be provided to KSEB Ltd., Government will release the same as advance cash subsidy from 2015-16 onwards, as per Section 65 of the Electricity Act, 2003. In view of the directions in the aforesaid G. O it is expected that KSEB Limited would be remitting the outstanding amount of electricity duty collected and payable to Government, over and above ₹ 586.10 crore on account of the annual contribution of Government towards pension fund of KSEB Limited from the Financial Year 2015-16 onwards. A copy of the aforesaid G. O is attached as **Annexure I.**

൭.
കേരള സർക്കാർ
Government of Kerala
2015

Regn. No. KERBIL/2012/45073
dated 5-9-2012 with RNI
Reg. No. KL/TV(N)/634/2015-17

കേരള ഗസറ്റ്
KERALA GAZETTE

അസാധാരണം
EXTRAORDINARY

ആധികാരികമായി പ്രസിദ്ധപ്പെടുത്തുന്നത്
PUBLISHED BY AUTHORITY

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GOVERNMENT OF KERALA

Abstract

POWER DEPARTMENT—RE-VESTING OF THE ASSETS AND LIABILITIES OF ERSTWHILE KERALA STATE ELECTRICITY BOARD TO THE KERALA STATE ELECTRICITY BOARD LIMITED—NETTING OFF OF DUES BETWEEN GOVERNMENT AND KSEB AS ON 31-10-2013, THE DATE OF RE-VESTING—APPROVED—ORDERS ISSUED

POWER (C) DEPARTMENT

G O. (Ms.) No. 17/2015/PD. *Dated, Thiruvananthapuram, 13th May, 2015.*

Read:—1. G O. (Ms.) No. 27/98/PD. dated 14-9-1998.

2. G O. (Ms.) No. 25/02/PD. dated 9-10-2002

3. G O. (Ms.) No. 36/08/PD. dated 19-9-2008.

4. G O. (Ms.) No. 35/10/PD. dated 13-12-2010.

5. G O. (Ms.) No. 37/08/PD. dated 25-9-2008.

6. G O. (Ms.) No. 42/11/PD. dated 3-11-2011.

7. G. O. (Ms.) No. 46/2013/PD. dated 31-10-2013.
8. G. O. (P) No. 3/15/PD. dated 28-1-2015.
9. Letter No. Annual Accounts/Netting off dues/2014 dated 24-10-2014 from the Chairman and Managing Director, KSEB Limited.
10. Letter No. Annual Accounts/Netting off dues/2014 dated 13-11-2014 from the Director (Finance), KSEB Limited.

ORDER

As per G. O., read as first paper above, Government had ordered that an amount of ₹ 1553 crore, inclusive of the loan amount of ₹ 1025 crore, availed by KSEB from Government as on 31-3-1998 and its interest of ₹ 528 crore as on 31-3-1997 be converted as equity of Government. As per G. O. read as second paper above, it was ordered to net off the dues as on 31-3-2002 without cash transaction by converting the portion of loan to grant, after taking into account the final audited figures in respect of electricity duty.

2. As per G. O. (Ms.) No. 20/2005/PD dated 16-7-2005, a committee was constituted under the Chairmanship of the Chief Secretary for examining the issue of providing Government subsidy to KSEB, as ordered by the Kerala State Electricity Regulatory Commission. The following suggestions for netting off dues were mainly evolved in the meeting held by the Principal Secretary, Finance Department on 25-11-2006:—

(a) KSEB shall stop the practice of booking 3% Rate of Return from the financial year 2006-07 onwards.

(b) As per the audited Balance Sheet as on 31-3-2006 the net balance due to the Board from the State Government is ₹ 2002.30 crore. This amount will be written off by KSEB in 5 years starting from 2006-07 @ ₹ 400 crore each year.

(c) If the Board goes into revenue deficit in any of these 5 years after such writing off, the gap in revenue as ordered by Kerala State Electricity Regulatory Commission will be recovered by Government by providing subsidy.

(d) The Board has to remit electricity duty collected promptly with effect from 1-4-2006.

3. Accordingly the Board filed the ARR & ERC (Aggregate Revenue Requirement and Expected Revenue from Charges) for 2008-09 before the State Electricity Regulatory Commission with the proposal for writing off that year's arrear installment of ₹ 400 crore. However, the Regulatory Commission did not approve the proposal. If the KSERC had approved proposal for writing of

arrears, would have resulted in upward revision of tariff. Therefore, it was suggested to adjust the amount due from Government to the Board in the coming years. The issue was examined by Government and as per G O., read as third paper above, it was decided to place the matter before the Council of Ministers after examination by a Committee comprising the Chairman, KSEB, Secretary, Power and Principal Secretary, Finance.

4. Considering the request of the Chairman, to re-consider the aforesaid G O. dated 9-10-2002, as it was based on provisional figures and conversion of equity into grant would have had serious consequences on the Board, Government examined the matter and it was ordered in G O. read as fourth paper above, that the equity of ₹ 1553 crore would continue to be treated as Government's capital in KSEB and that netting off of dues would be done after reconciling the final audited figures furnised by KSEB with the Government account.

5. In exercise of the powers conferred under Section 131 and 133 of the Electricity Act, 2003, Government notified the Kerala Electricity First Transfer Scheme, 2008, as per G. O., vesting the assest and liabilities of the erstwhile Kerala State Electricity Board in Government.

6. In October, 2010 the Special Officer of the Managing Committee, KSEB, submitted the draft Second Transfer Scheme (Re-vesting) based on the assessment of the liabilities and actuarial valuation of the unfunded and unaccounted terminal liabilities as on 31-3-2009 to Government for approval and proposed to meet the pension liability of the existing pensioners and employees of the Electricity Board by way of creating a Master Trust/Pension Fund. The unfunded terminal liability of KSEB as on 31-3-2009 was estimated at ₹ 4520 crores. The total amount of ₹ 2500 crore proposed to be funded by Government was the sum of ₹ 1599.82 crore (rounded to 1600 crore), payable by Government to KSEB, on netting off of the amount due to the Board on account of the earlier orders issued by Government and the amount payable to Government towards electricity duty and surcharge etc. as on 31-3-2008 plus its interest component of ₹ 900 crore. The statement of netting off of dues up to 31-3-2008, furnished by KSEB is attached as **Annexure I**

7. As per G. O. read as sixth paper above, Government accorded in principal approval for the Kerala Electricity Second Transfer Scheme (Re-vesting), 2011 for re-vesting the assets and liabilities of the erstwhile KSEB, vested with the Government to the newly incorporated company and ordered that the aforesaid amount of ₹ 2500 crore will be provided to the Company for funding the terminal liabilities.

8. As per G. O., read as seventh paper above, Government have ified the Kerala Electricity Second Transfer Scheme (Re-vesting), re-vesting the assets and liabilities of the erstwhile KSE Board into the Kerala State Electricity Board Limited, a fully owned Government Company, constituted under the Companies Act, 1956. Clause 6 (9) (d) of the said Scheme provides that the electricity duty collected by KSEB for the period from 1-4-2008 to 31-3-2012 will be permitted to be retained in KSEB Ltd., as Government's contribution for funding the terminal liability.

9. As per G. O., read as eighth paper above, Government have notified the Kerala Electricity Second Transfer (Amendment) Scheme (Re-vesting), 2015 finalizing the arrangements for funding the pension liabilities of KSEB Ltd. as on 31-10-2013. The figures on 'Other Current Liabilities' in the Balance Sheet of KSEB Ltd. as on 1-11-2013, incorporated in Part II of Schedule A to the Second Transfer Scheme, includes the aforesaid balance amount of Electricity Duty of ₹ 435.62 crore. As per the amended scheme, the Government will fund ₹ 5861 crore over a period of next 10 years from the date of transfer to the KSEB Ltd. on annual basis for meeting the unfunded terminal liabilities by way of retention of electricity duty.

10. As per letter, read as ninth paper above, the Chairman and Managing Director, KSEB Limited furnished proposal for adjusting subsidy etc. receivable by KSEB Ltd. from the Electricity Duty of ₹ 2396.36 crore, collected from 2008-09 to 31-10-2013. After examining the matter, Government directed KSEB Limited to rework the proposal on the basis of Clause 6 (9) (d) the Second Transfer Scheme and to submit revised proposal. Accordingly, in his letter read as tenth paper above, the Director (Finance), KSEB Ltd. furnished the revised netting off proposal as on 31-10-2013, as given below:—

(₹ in crore)

Electricity Duty collected from 2008-09 to 31-10-2013		2396.36
Less:		1960.74
(i) Electricity Duty allowed to be retained in KSEB Ltd. from 1-4-2008–31-3-2012	1522.53	
(ii) Subsidy receivable by KSEB Ltd. up to 31-10-2013	438.21	
Balance Electricity Duty available with KSEB Ltd. as on 31-10-2013		435.62

11. The details in respect of the aforesaid electricity duty of ₹ 2396.36 crore and subsidy of ₹ 438.21 crore is attached as **Annexure II.** The Director (Finance), KSEB Ltd. informed that as per the provisional figures, after netting off dues as on 31-12-2014, the balance amount of electricity duty due to be paid to Government by KSEB Ltd. will be ₹ 88.79 crore. It was proposed that the above amount can be utilised for setting off subsidy of ₹ 96 crore for the next three months up to March, 2015 (32 × 3).

12. The aspect of issuing formal orders on netting off of dues of KSEB towards Government on account of electricity duty and surcharge, collected from consumers and payable to Government by KSEB and the arrears to be paid to KSEB by Government, such as various subsidies on account of 3% Rate of Return (RoR) and exemption from revised tariff/thermal surcharge; MD waiver etc, as on 31-10-2013, the date of re-vesting the assets and liabilities of erstwhile KSEB into KSEB Limited has been examined in detail. Levying of penal interest on delayed payment/non-payment of electricity duty and surcharge is statutory as per the provisions of the Kerala Electricity Duty Act, 1963 and the Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 respectively and non inclusion of interest portion in the accounts brings sizeable difference in the dues payable by KSEB. However, as borne out from the records, at any point of time over the years the amount payable to the Board was much more than the Electricity Duty payable by KSEB to Government and KSEB has been of the stand that if Government had released the subsidy amount in the past in the relevant years, the Board would have paid the electricity duty in time and there would not have been any scope for levy of penal interest against the Board for non-payment of duty. According to the Board the interest against non-release of subsidy by Government should also be taken into account, if Government insist for interest on electricity duty. The figures of Electricity duty and Surcharge as furnished by the KSEB Limited and the figures in the reconciliation statement forwarded by the CEI substantively differ to the extent of penal interest on delayed/non-payment of electricity duty and surcharge only. As no interest was given on the sums payable to KSEB including the dues of ₹ 1600 crore after adjustment as on 31-3-2008 and various subsidies due to be provided by Government in advance as stipulated under Section 65 of the Electricity Act, 2003, imposition of interest only on duty arrears of KSEB may not be reasonable, as the Board had to borrow from financial institutions by paying interest for capital expenditure due to non-receipt of amounts due from Government in time.

13. In the aforesaid circumstances, Government are pleased order as follows in the matter:—

(i) The proposal of KSEB Ltd. for finalizing accounts after netting off of dues between KSEB and Government, up to 31-10-2013, the date of re-vesting the assets and liabilities of erstwhile KSEB into the Kerala State Electricity Board Limited stands approved. The netting off of accounts has been done on the basis of the principal figures of Electriciry Duty and Surcharge (excluding penal interest on non-payment of Electricity Duty and Surcharge), as furnished by the KSEB Limited and after the adjustment, the balance Electricity Duty available with KSEB Ltd. as on 31-10-2013 is ₹ 435.62 crore.

(ii) The accounts of KSEB Limited in respect of Electricity Duty and Surcharge as on 31-10-2013 is approved as reconciled with the respective Government figures, accepting the accounts on netting off of liabilities.

(iii) In continuation to the adjustment of dues as on 31-10-2013, the dues between Government and KSEB Limited up to 31-12-2014 stands provisionally netted off, on the basis of the provisional figures furnished by KSEB Ltd. regarding electricity duty to be paid to Government by KSEB Ltd. as on 31-12-2014. After netting off dues, the balance amount of electricity duty payable by KSEB Limited is ₹ 88.79 crore. The details are given below:—

(Amount in crore)

1	Balance electricity duty available with KSEB Ltd. as on 31-10-2013			435.62
2	*Add:* electricity duty collected from 1-11-2013 to 31-12-2014 (estimated 47.14 × 14)			659.96
A	**Total amount due to Government**			**1095.58**
Less: **B**	Subsidy on tariff concession @ ₹ 32 crore per month × 14 months *Less:* subsidy received from 1-11-2013 to 31-3-2014 from 1-4-2014 to 31-12-2014 Balance subsidy receivable from Government	 75.00 50.00	448.00 125.00 323.00	323.00
C	Pension liability due from Government 1-11-2013 to 31-3-2014 → 5/12 × 586.10 = 244.21 1-4-2014 to 31-12-2014 → 9/12 × 586.10 = 439.58		244.21 439.58	683.79
D	**Balance amount due to Government as on 31-12-2014 [A-B-C]**			**88.79**

(iv) Government have decided that the revenue deficit of ₹ 32 crore per month on account of exemption of domestic consumers with monthly consumption below 120 units and agricultural consumers from enhanced tariff for 2012-13, will be compensated by Government by providing the amount as advance cash subsidy to KSEB Limited, as provided under Section 65 of the Electricity Act, 2003 from January, 2015 onwards. Thus an amount of ₹ 96 crore is due to be provided to KSEB for the three months from 2015 January-March. Therefore, the electricity duty of ₹ 88.79 crore will be adjusted against the subsidy of ₹ 96 crore.

(v) There will not be any cash flow on either side up to 31-3-2015 and the balance amount of ₹ 7.21 crore payable to KSEB Ltd. will be netted off once actual figures are finalized.

(vi) The entire duty collection after 31-12-2014 will be transferred to pension fund account as Government contribution, as provided under Clause 2(2) of the G.O., read as eighth paper above.

(vii) As per the Balance Sheet of KSEB Limited as on 1-11-2013 which forms part of the Kerala Electricity Second Transfer Scheme (re-vesting), 2015, issued as per G. O. read as eighth paper above, the Equity Capital of Government in KSEB Limited, taking into the assets and liabilities of KSEB Ltd. as on 1-4-2012 is ₹ 3499 crore, in the place of ₹ 1553 crore at the time of vesting, as mentioned in the provisional Balance Sheet as at 31-3-2008, incorporated in the Kerala Electricity First Transfer Scheme, 2008, issued as per G. O. read as fifth paper above.

Taking into consideration that netting off of dues between KSEB Ltd. and Government forms an integral part of re-structuring of KSEB, along with cleaning up of KSEB Limited's Balance Sheet, a part of the duty collected i.e., ₹ 1946 crore stands converted into the increased portion of equity (3499-1553) so as to ensure that the increased equity is a result of cash infusion to KSEB Ltd. by Government, thereby enabling the Government to participate in the increased return on equity in future years.

(viii) The annual contribution of Government towards pension fund is ₹ 586.10 crore and the yearly estimated electricity duty collection will be to the tune of ₹ 590.88 crore. An amount of ₹ 4.78 crore will be payable to the Government by KSEB Ltd. annually towards balance electricity duty. The balance electricity duty collected by KSEB Ltd. in excess of the pension contribution will be paid to Government by KSEB Ltd., by the end of each financial year from 2015-16 onwards after reconciliation of accounts of electricity duty and surcharge collected, without fail.

(ix) KSEB Limited shall ensure that Electricity duty is remitted to Government from the FY 2015-16 onwards, failing which penal interest will be imposed, as provided under the Kerala Electricity Duty Act, 1963 and relevant Government Orders.

(x) If any subsidy is ordered to be provided to KSEB Ltd., Government will release the same as advance cash subsidy from 2015-16 onwards, as per Section 65 of the Electricity Act, 2003.

(xi) As the netting off of dues as on 31-12-2014 has been done on the basis of provisional figures, final orders in the matter will be issued immediately on receipt of the final audited figures of electricity duty and surcharge from KSEB Ltd.

(xii) KSEB Limited will furnish necessary proposal for effecting pro forma book adjustments in respect of payment of equity capital and pension fund contribution and adjustment of electricity duty so as to issue orders in this regard subsequently.

By order of the Governor,

JIJI THOMSON,
Chief Secretary.

To

The Chairman and Managing Director, Kerala State Electricity Board Limited, Thiruvananthapuram.
The Director (Finance), KSEB Limited, Thiruvananthapuram.
The Secretary (Administration), Kerala State Electricity Board Limited, Thiruvananthapuram.
The Chief Electrical Inspector, Thiruvananthapuram.
The Principal Accountant General (Audit), Kerala, Thiruvananthapuram.
The Accountant General (A & E), Kerala, Thiruvananthapuram.
The Secretary, Kerala State Electricity Regulatory Commission, Thiruvananthapuram (with Covering Letter).
The General Administration (SC) Department vide item No. 6674 dated 29-4-2015.
The Finance Department (vide U.O. (n) 27467/PUA2/15/Fin. dated 4-4-2015.
The Information and Public Relations Department.
The information Officer, Web and New Media Section, Information and Public Relations Department (for publishing on the Govt. Website).
Stock File/Office Copy.

ANNEXURE I

Position Netting off as on 31-3-2008

(Rs. in crores)

	Particulars	*As on 31-3-2008*
	Amount Due to KSB	
(a)	Subsidy for 3% ROR	4098.32
(b)	Subsidy for allowing Pre-'92 tariff	387.03
(c)	Amount receivable on account of reduction in Tariff for 2006-2007 & 2007-2008	222.62
(d)	Amount receivable on account of writing off of dues of Kerala Water Authority as per G. O. dated 26-9-2008	524.00
(e)	Cash Loss suffered by the Board up to 31-3-2011	..
(f)	Concessions allowed to HT/EHT consumers as on 31-3-2011 based on Government Orders	
(g)	Current Charges Arrears from various Government Departments as on 31-3-2011	
(h)	Waiver of minimum demand charges and fixed charge in respect of closed plantations and industrial units claimed as on 31-3-2011	
(i)	Set off current charge arrears of identified tribal colonies	
(A)	**Total dues to KSEB**	**5231.97**
	Amount Due to Government	
(a)	Duty Payable	2731.67
(b)	Guarantee Commission	63.22
(c)	State Government Loan Outstanding	377.69
(d)	Interest on State Government Loan	459.57
(B)	**Total dues to Government**	**3632.15**
(C)	**Balance Due to KSEB (A) - (B)** as on 31-3-2011 as per netting off of dues between Government of Kerala and KSEB	**1599.82**

ANNEXURE II

(i) Details of electricity duty collected by KSEB from April 2008 to 31-10-2013

Year	*Electricity Duty Payable (Rupees in crores)*	*(Rupees in crores)*
2008-09	370.64	1522.53
2009-10	340.91	
2010-11	383.38	
2011-12	427.60	
2012-13	529.15	873.83
Up to 31-10-2013	344.68	
Total	**2396.36**	

(ii) Details of Subsidy payable to KSEB Limited under Section 65 of Electricity Act, 2003

Sl. No.	*Particulars*	*Rupees in crore*
(1)	(2)	(3)
1	*Thermal Surcharge* As per G.O. (Rt.) No. 87/2013/PD dated 21-3-2013 an amount of ₹ 25 crore was sanctioned as cash subsidy to compensate the revenue shortfall on account of exemption of domestic consumers with consumption up to 120 units per month from fuel surcharge already effected by KSEB from 1st October, 2012 to 31st December, 2012 ₹ 25 crore was the approximate estimated amount required for exemption. However actual amount is ₹ 26.46 crore	26.46
2	(a) *Tariff concession for consumers with monthly consumption up to 120 units*	319.63

(1)	(2)	(3)
	(b) *Tariff Concession for agricultural consumers*	24.06
	Vide G. O. (Ms.) No. 18/2012/PD dated 6-8-2012, it was ordered that the domestic consumers with monthly consumption up to 120 units and agricultural consumer will be exempted from revised tariff for 2012 by providing ₹ 25 crore to KSEB every month in advance with effect from July 2012, to compensate the revenue shortfall.,	
	As per G.O. (Ms.) No. 24/2013/PD dated 28-5-2013, it was ordered to continue cash subsidy of ₹ 25 crore per month. An amount of ₹ 100 crore was released up to October 2013 on account of subsidy.	
3	*Tariff concession for life support system*	0.02
	As per G.O. (Rt.) No. 39/2013/PD dated 8-2-2013, it was ordered inter alia that if life support system require more than 100 units of electricity per month, the revenue shortfall incurring to KSEB on account of extending the benefit of above 100 units per month will be compensated by Government by providing the amount required as advance cash subsidy.	
4	*Balance of Water Authority writeoff*	9.06
	As per G. O. (Ms.) No. 43/11/PD dated 3-11-2011, it was ordered that ₹ 524 crores being the sum receivable by the KSEB from Kerala Water Authority on account of write off of the electricity charges vide G.O. (Ms.) No. 45/08/WRD dated 26-9-2008 will be released to KSEB Limited.	
	An amount of ₹ 533.06 crore had actually been written off. ₹ 9.06 crore represents the difference between the actual amount written off and the estimated one.	
5	*Minimum Demand Waiver ₹ 58.98 crore*	58.98
	The minimum demand charges waived to consumers as per Government Decisions.	
	Total	**438.21**

Action Taken Report on para 8.6 of C& AG Report (RR) for the year ended 31-03-2011

Para. No.	Recommendations	Action Taken
8.6	Non -levy of penal interest on belated payment of lease rent Government leases out forest land to various PSU's for cultivating rubber or other crops. The Department levies lease rent at the rates prescribed by the Government from time to time. The lease rent payable was ₹ 1,300 per hectare from 1992-93 onwards. The lease rent shall be payable for each financial year. The conditions of agreement of lease stipulates that interest at compound rate of nine *percent* shall be payable on all defaulted payments. The State Farming Corporation of Kerala (SFCK) Ltd. paid lease rent at the rate of ₹ 4.00 per hectare on 2,345.775 ha of forest land instead of at the correct rate of ₹ 1,300 per hectare resulting in short payment of lease rent of ₹ 2.05 crore. The short payment of lease rent attracts levy of interest at the prescribed rates. The DFO did not levy interest of ₹ 3.07 crore on defaulted lease rent from 1993-94 to 2009-10.	The State Farming Corporation of Kerala has been remitting lease rent @ ₹ 1300/ per hectre per annum since 2004-2005. In the meeting held on 19.3.2012 for settling the lease rent arrears for the period from 1992-93 to 2003-2004, the Corporation had requested to waive/adjust arrears of lease rent against the amount due from Horticorp and also compensation claim of State Farming Corporation of Kerala against transfer of Nilakkal Estate. The proposal for adjustment of compensation claim on transfer of Nilakkal Estate towards lease rent arrears and the interest thereon payable to Forest Department is under the consideration of the Government. In another meeting held under the Chairmanship of the Hon'ble Chief Minister on 28.5.2013 on the settlement of lease rent arrear payable by the PCK Ltd and it was decided to fix the lease rent in respect of PCK Ltd at ₹1300/annum per hectre w.e.f 25.11.2009, ie the date on which the Kerala Grants and Leases (Modification of Rights) Act 2009 came into existence, if there is no legal implication for the same and decided to grant the same consideration to the SFCK too. Law Department and Finance Department has to be consulted in the matter.

Action Taken Report on para 8.7 of C& AG Report (RR) for the year ended 31-03-2011.

Para. No.	Recommendations	Action Taken
8.7	Short collection of Seigniorage in receipt of sand sold	After the revision of seignorage rate for sand as per G.O (MS) No.15/2010/F&WLD dated 3-5-2010 till the end of audit period a quantity of 4315 m^3 of sand was sold through Kalavara an agency appointed by Nirmithi Kendra (2430 M^3 to BPL customers & 1885 M^3 to APL applicants). The rate of sand for BPL applicants remained the same vide orders in GO(Ms) No.2/2011/F&WLD dated 27-01-11 @ Rs.78/M^3 but the rate of sand for APL applicants was enhanced to Rs. 1000/M^3. Further out of 1885 m^3 sand sold to APL applicants, enhanced rate was realized for a quantity of 940 M^3 and for balance quantity of 945 m^3 additional seignorage value is to be collected. Thus the amount to be collected is Rs. 871290+VAT+ cess as against Rs.32.62 lakhs as pointed out in the CAG report. Direction has been given to identify the applicants and take necessary action to speed up recovery of the amount.

GOVERNMENT OF KERALA

POWER (C) DEPARTMENT

STATEMENT OF ACTION TAKEN ON PARAGRAPH NO. 7.3 RESULTS OF AUDIT CONTAINED IN THE REPORT OF COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31-03-2011 (RR)

<table>
<tr><th>Sl. No.</th><th>Para No.</th><th>Recommendation</th><th>Action Taken by Government</th></tr>
<tr>
<td>1</td>
<td>7.3</td>
<td><u>Results of Audit</u>
In 2010-11 we test checked the records of five units relating to Power Department. We detected under assessment/short levy of tax involving ₹ 3,747.11 Crore in six cases which fall under the following categories:
<table>
<tr><th>Sl. No.</th><th>Categories</th><th>No. of cases</th><th>Amount (Rs. in crore)</th></tr>
<tr><td>1</td><td>Short/Non-levy of tax</td><td>5</td><td>3747.09</td></tr>
<tr><td>2</td><td>Other lapses</td><td>1</td><td>0.02</td></tr>
<tr><td></td><td>Total</td><td>6</td><td>3747.11</td></tr>
</table>

The Department accepted underassessment and other deficiencies of ₹ 2.25 lakh in four cases, of which one case involving ₹ 0.27 lakh was pointed out by us during the year 2010-11 and the rest in earlier years. The Department realised an amount of ₹ 0.86 lakh during the year 2010-11.</td>
<td>In reply to the Audit observation, the Chief Electrical Inspector has stated that the short/non levy of tax was shown as ₹ 3747.11 Crore out of which an amount of ₹ 3746.97 was the arrear to be paid by KSEB to Government as on 31-03-2010. As per G. O (P) No. 03/2015/PD dated 28-01-2015 (copy enclosed) Government have finalized the terms of transfer of assets and liabilities of erstwhile KSEB to KSEB Ltd and the figures of Balance Sheet of KSEB Ltd as on 01-11-2013 included in Para II of Schedule A to the Transfer Scheme, are based on adjustment of electricity duty against subsidy receivable by KSEB Ltd as on 31-10-2013.
As per G. O (Ms) No. 17/2015/PD dated 13-05-2015 the dues between Government and KSEB Limited as on 31-10-2013 ie. the date of revesting of the assets and liabilities of erstwhile KSEB to the KSEB Limited, has been netted off. In the G. O it was ordered interalia as follows :
(i) The proposal of KSEB Limited for finalizing accounts after netting off of dues between KSEB and Government, up to 31-10-2013, the date of re-vesting the assets and liabilities of erstwhile KSEB into the Kerala State Electricity Board Limited stands approved. The netting off of accounts has been done on the basis on non-payment of Electricity Duty and Surcharge (excluding penal interest on non-payment of Electricity Duty and Surcharge), as furnished by the KSEB Limited and after the adjustment, the balance Electricity Duty available with KSEB Limited as on 31-10-2013 is ₹ 435.62 crore.
(ii) The accounts of KSEB Limited in respect of Electricity Duty and Surcharge as on 31-10-2013 is approved as reconciled with the respective Government figures, accepting the accounts on netting off of liabilities.</td>
</tr>
</table>

(iii) In continuation to the adjustment of dues as on 31-10-2013, the dues between Government and KSEB Limited up to 31-12-2014 stands provisionally netted off, on the basis of the provisional figures furnished by KSEB Limited regarding electricity duty to be paid to Government by KSEB Limited as on 31-12-2014. After netting off dues, the balance amount of electricity duty payable by KSEB Limited is ₹ 88.79 crore. The details are given below :

(Amount in crore)

1	Balance electricity duty available with KSEB Ltd. as on 31-10-2013	435.62
2	*Add*. electricity duty collected from 01-11-2013 to 31-12-2014 (estimated 47.14x14)	659.96
A	**Total amount due to Government**	**1095.58**
Less: **B**	Subsidy on tariff concession @ ₹ 32 crore per month x 14 months 448.00 *Less* : Subsidy received from 01-11-2013 to 31-03-2014 75.00 from 01-04-2014 to 31-12-2014 50.00 125.00 323.00 Balance subsidy receivable from Government.	323.00
C	Pension liability due from Government 01-11-2013 to 31-03-2014 -> 5/12 x 586.10 = 244.21 244.21 01-04-2014 to 31-12-2014 -> 9/12 x 586.10 = 439.58 439.58	683.79
D	**Balance amount due to Government as on 31-12-2014 (A-B-C)**	**88.79**

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Government of Kerala
2015

Regn. No. KERBIL/2012/45073
dated 5-9-2012 with RNI

Reg. No. KL/TV(N)/634/2015-17

കേരള ഗസറ്റ്
KERALA GAZETTE

അസാധാരണം
EXTRAORDINARY

ആധികാരികമായി പ്രസിദ്ധപ്പെടുത്തുന്നത്
PUBLISHED BY AUTHORITY

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GOVERNMENT OF KERALA

Power (C) Department

NOTIFICATION

G. O. (P) No. 3/2015/PD. *Dated, Thiruvananthapuram, 28th January, 2015 / 14th Makaram, 1190*

S. R. O. No. 52/2015.—In exercise of powers conferred by sub-section (2) of section 131 of the Electricity Act, 2003 (Central Act 36 of 2003) read with sub-clause (2) of clause 9 of the Kerala Electricity Second Transfer Scheme (Re-vesting), 2013, the Government of Kerala hereby make the following Scheme to amend the Kerala Electricity Second Transfer Scheme (Re-vesting), 2013 issued under G. O. (P) No. 46/2013/PD dated 31st October, 2013 and published as S. R. O. No. 871/2013 in the Kerala Gazette Extraordinary No. 3103 dated 31st October, 2013, namely:—

SCHEME

1. *Short title and commencement.*—(1) This Scheme may be called the Kerala Electricity Second Transfer (Amendment) Scheme (Re-vesting), 2015.

(2) It shall be deemed to have come into force on the 31st day of October, 2013.

2. *Amendment of Scheme.*—(1) In the Kerala Electricity Second Transfer Scheme (Re-vesting), 2013 for sub-clause (8) of clause 6, the following sub-clause shall be substituted, namely:—

"(8) The State Government shall make appropriate arrangements in respect of funding of the terminal benefits to the extent they are unfunded on the date of the transfer of the personnel from the erstwhile Board or KSEB, as mentioned in sub-clause (9) of clause 6 of this Scheme. As per actuarial valuation carried out by registered valuer, the net present value of unfunded liability is approximately ₹12419 Crores (Rupees Twelve thousand Four hundred and Nineteen crores) as on the date of re-vesting i.e. 31st October, 2013. Till such time arrangements are made, the Transferee and the State Govrnment shall be jointly and severally responsible to duly make such payments to the existing pensioners as well as the personnel who retire after the date of transfer but before the arrangements are put in place. The State Government, Kerala State Electricity Board Ltd. and Employees Unions have entered into a tripartite agreement on 1st August, 2014, in consideration of the promises and mutual conditions set forth therein. The Tripartite Agreement which forms part of this Scheme is appended as Schedule C;"

(2) For sub-clause (9) of clause 6 of the said Scheme, the following sub-clause shall be substituted, namely:—

"(9) The State Government will fund ₹ 5861 Crores (Rupees Five thousand eight hundred and sixty one crores) over a period of next 10 years from the date of transfer to the Kerala State Electricity Board Limited on annual basis for meeting the unfunded terminal liabilities by way of retention of electricity duty.

(a) Kerala State Electricity Board Limited will issue two series of bonds to a master trust:—

(i) 20 year bond with a coupon of rate 10% p.a. for ₹ 8,144 Crores (Rupees Eight thousand one hundred and forty four crores).

(ii) 10 year bond with a coupon of rate 9% p.a. for ₹ 3,751 Crores (Rupees Three thousand seven hundred and fifty one crores).

(b) Bonds will be issued to the trust which shall meet the liability of pension etc. in future from the interest and principal repayment from Kerala State Electricity Board Limited against the bonds issued in favour of the trust. With these arrangements the net present value of the liability of the fund towards pension etc. shall be ₹ 12,419 Crores (Rupees Twelve thousand four hundred and nineteen crores) (approximately) as on 31st October, 2013 with matching investments in securities issued by Kerala State Electricity Board Limited for ₹ 11,895 Crores (Rupees Eleven thousand eight hundred and ninety five crores) on net present value basis.

(c) Another ₹ 524 Crores (Rupees five hundred and twenty four crores) will be funded by State Government through budgetary provision over a period of 10 years in equal instalments as per G. O. (Ms.) No. 43/2011/PD dated 3rd November, 2011. Accordingly, an amount of ₹ 52.4 crore is being provided in the Budget from the Financial Year 2012-13 onwards.

(d) State Government will permit that the electricity duty collected by KSEB for the period from 1-4-2008 to 31-3-2012 to be retained in the Kerala State Electricity Board Limited as its contribution for funding the terminal liability.

(e) In addition to the interest on bonds and repayment of principal, Kerala State Electricity Board Limited will be paying the annual pension contribution based on actuarial valuation to the master trust in respect of the personnel transferred to Kerala State Electricity Board Limited."

(3) In Part II of Schedule A to the said Scheme, for table under the heading, "AGGREGATE ASSETS AND LIABILITIES OF KERALA STATE ELECTRICITY BOARD LIMITED", the following table shall be substituted, namely:—

Schedule	*Sl. No.*	*Particulars*	*Opening Balance Sheet as on 1-11-2013 (Rupees in Crores)*
(1)	(2)	(3)	(4)
		NET ASSETS	
19	(a)	**Net Fixed Assets**	
	1	Gross Block	24961.05
	2	*Less*: Accumulated Depreciation	6153.81
	3	**Net Fixed Assets (1-2)**	**18807.24**
21	4	Capital Expenditure in Progress	1596.70
22	5	Assets Not in Use	..
23	6	Deferred Costs	69.72
24	7	Intangible Assets	..
25	8	Investments	19.50
	(b)	**Net Current Assets**	
26	9	**Current Assets**	
26(a)	(a)	Stock	353.46
26(b)	(b)	Receivables against supply of power	549.95
26(c)	(c)	Cash and Bank Balance	698.61
26(d)	(d)	Loans and Advances	126.69
26(e)	(e)	Sundry Receivables	261.54
		Total Current Assets	**1990.25**
		***Less*: Total Current Liabilities**	
27	10	Security Deposits from Consumers	2175.11
28	11	Other Current Liabilities	1897.08
	12	**Total Current Liabilities (10 + 11)**	**4072.19**
	13	**Net Current Assets (9-12)**	**(2081.94)**
29	14	Subsidies Receivable from Government	..

(1)	(2)	(3)	(4)
29(a)	15	Net Subsidy Netted off to be Written Off	..
	16	Contribution Receivable from State Government towards terminal benefit	6315.13
29(b)	17	Regulatory Asset	..
		NET ASSETS (3 to 8 + 13 + 14 to 17)	**24726.35**
		FINANCED BY	
30	18	Borrowings for Working Capital	2816.38
31	19	Payments due on Capital Liabilities	..
32	20	Capital Liabilities	2654.57
33	21	Funds from State Government	..
33A	22	Equity Capital	3499.00
34	23	Contributions, Grants and Subsidies towards Cost of Capital Assets	..
35	24	Reserve and Reserve Funds	..
	25	Terminal Benefit Fund and Provident Fund	
	(i)	Terminal Benefit Fund	12419.00
	(ii)	Provident Fund	1227.40
	26	Provision for Interest on Bonds adjustable against Electricity Duty	2110.00
	27	Surplus/(Deficit)	..
		TOTAL FUNDS	**24726.35**

Note:—1. In consideration of the transfer mentioned above, the State Government may, direct Kerala State Electricity Board Ltd. to issue 349,90,00,000 number of equity shares of ₹ 10 each in favour of the State Government taking into account the assets and liabilities transferred to the Kerala State Electricity Board Ltd.

2. 'Other Current Liabilities' includes the balance amount of Electricity Duty Payable ₹ 435.62 crores (Rupees Four hundred and thirty five crores and sixty two lakhs) after adjusting the amount of electricity duty already allowed to be retained for the period from

1-4-2008 to 31-3-2012 as per sub-clause 9(d) of clause 6 of G. O. (P) No. 46/2013/PD dated 31st October, 2013 and also adjusting an amount of ₹ 438.21 crores (Rupees Four hundred and thirty eight crores and twenty one lakhs) being the subsidy receivable, MD waiver etc. receivable from the State Government as on 31-10-2013.

3. 'Contribution Receivable from State Government towards terminal benefit liabilities' includes the balance amount of ₹ 454.13 crores (Rupees Four hundred and fifty four crores and thirteen lakhs) receivable from the State Government out of ₹ 524 crores (Rupees Five hundred and twenty four crores) receivable as per G. O. (Ms.) No. 43/2011/PD dated 3rd November, 2011.

4. The above figures are based on the accounts of the Kerala State Electricity Board as on 31st October, 2013 and are subject to audit.

(4) In Schedule B to the said Scheme, under the heading "I. Re-vesting Scheme for employees, for condition 8", the following condition shall be substituted, namely:—

"8. The State Government shall make appropriate arrangements in respect of funding of the terminal benefits to the extent they are unfunded on the date of the transfer of the personnel from the erstwhile Board or KSEB, as mentioned in sub-clause (9) of clause 6 of this Scheme. As per actuarial valuation carried out by registered valuer, the net present value of unfunded liability is approximately ₹ 12,419 Crores (Rupees Twelve thousand four hundred and nineteen crores) as on the date of re-vesting i.e. 31st October, 2013. Till such time arrangements are made, the Transferee and the State Government shall be jointly and severally responsible to duly make such payments to the existing pensioners as well as the personnel who retire after the date of transfer but before the arrangements are put in place. The State Government, Kerala State Electricity Board Ltd. and Employees Unions have entered into a tripartite agreement in consideration of the promises and mutual conditions set forth therein. The Tripartite Agreement entered into on 1st August, 2014, which forms part of this Scheme is appended as Schedule C;"

(5) In schedule B to the said Scheme, under the heading, "I, Re-vesting Scheme for employees, for condition 9", the following condition shall be substituted, namely:—

"(9) The State Government will fund ₹ 5,861 Crores (Rupees Five thousand eight hundred and sixty one crores) over a period of next 10 years from the date of transfer to the Kerala State Electricity Board Limited on annual basis for meeting the unfunded terminal liabilities by way of retention of electricity duty.

(a) Kerala State Electricity Board Limited will issue two series of bonds to a master trust:—

(i) 20 year bond with a coupon of rate 10% p.a. for ₹ 8,144 Crores (Rupees Eight thousand one hundred and forty four crores).

(ii 10 year bond with a coupon of rate 9% p.a. for ₹ 3,751 Crores (Rupees Three thousand seven hundred and fifty one crores).

(b) Bonds will be issued to the trust, which shall meet the liability of pension etc. in future from the interest and principal repayment from Kerala State Electricity Board Limited against the bonds issued in favour of the trust. With these arrangements the net present value of the liability of the fund towards pension etc. shall be ₹ 12,419 Crores (Rupees Twelve thousand four hundred and nineteen crores) (approximately) as on 31st October, 2013 with matching investments in securities issued by Kerala State Electricity Board Limited for ₹ 11,895 Crores (Rupees Eleven thousand eight hundred and ninety five crores) on net present value basis.

(c) Another ₹ 524 Crores (Rupees Five hundred and twenty four crores) will be funded by State Government through budgetary provision over a period of 10 years in equal instalments as per G. O. (Ms.) No. 43/2011/PD dated 3rd November, 2011. Accordingly, an amount of ₹ 52.4 crore is being provided in the Budget from the Financial Year 2012-13 onwards.

(d) State Government will permit that the electricity duty collected by KSEB for the period from 1-4-2008 to 31-3-2012 to be retained in the Kerala State Electricity Board Limited as its contribution for funding the terminal liability.

(e) In addition to the interest on bonds and repayment of principal, Kerala State Electricity Board Limited will be paying the annual pension contribution based on actuarial valuation to the Master Trust in respect of the Personnel transferred to Kerala State Electricity Board Limited."

Explanatory Note

(This does not form part of the notification, but is intended to indicate its general purport).

As part of re-organization of Kerala State Electricity Board and in exercise of the powers conferred under Section 131 and 133 of the Electricity Act, 2003 (Central Act 36 of 2003), the Government of Kerala took over all the functions, properties, and all interests, rights in properties, all rights and liabilities of the Kerala State Electricity Board, as per the Kerala Electricity First Transfer Scheme issued by notification under G. O. (Ms.) No. 37/2008/PD dated 25th September, 2008, and published as S. R. O. No. 990/2008 in the Kerala Gazette Extraordinary No. 2090 dated 25th September, 2008. Under sub-clause (1) of Clause 6 of the said Scheme, Government have issued the Kerala Electricity Second Transfer Scheme (Re-vesting), 2013 under G. O. (P) No. 46/2013/PD dated 31st October, 2013, and published as S. R. O. No. 871/2013 in the Kerala Gazette Extraordinary No. 3103 dated 31st October, 2013 re-vesting all the functions, properties and all interest, rights in properties, all rights and liabilities vested in the State Government to a company.

Under sub-clause (2) of clause 9 of the Kerala Electricity Second Transfer Scheme (Re-vesting), 2013, Government have decided to amend certain clauses of the Kerala Electricity Second Transfer Scheme (Re-vesting), 2013, in order to make necessary arrangements to ensure uninterrupted payment of terminal benefits to the personnel of the erstwhile Board or KSEB, consequent on the actuarial valuation of terminal liabilities as on the date of re-vesting.

The notification is intended to achieve the above object.

SCHEDULE 'C'

[*See* Clause 6 (8)]

TRIPARTITE AGREEMENT AMONG GOVERNMENT OF KERALA, KERALA STATE ELECTRICITY BOARD LIMITED AND KERALA STATE ELECTRICIY BOARD EMPLOYEES' UNIONS AND ASSOCIATIONS

THIS TRIPARTITE AGREEMENT entered into on this the .... day of .... 2014 (month & year) among Government of Kerala represented by Sri. ...., Secretary to Government, Power Department (hereinafter called the "State Government") of the FIRST PART; and

Kerala State Electricity Board Limited (Corporate Identity Number U40100KL2011SGC027424), a company incorporated under the Companies Act, 1956 having its Registered Office at Vydyuthi Bhavanam, Pattom, Thiruvananthapuram-695 004 represented by Sri. ...., Chairman and Managing Director (hereinafter called "KSEB Ltd.") of the SECOND PART; and

The Unions and Associations representing workmen and officers of the erstwhile Kerala State Electricity Board (hereinafter called "Union") represented by their authorized office bearers as listed below of the THIRD PART.

Sl. No.	*Name of the Union/Association*	*Registration Number*	*Authorised Representative*

WHEREAS, the Government of Kerala as per G.O. (Ms.) No. 37/)8/PD, dated 25-9-2008 notified the Kerala Electricity First Transfer Scheme, 2008 for the purpose of vesting of functions, properties, interests, rights, obligations and liabilities of KSEB to State Government on the terms agreed to by KSEB and State Government.

AND WHEREAS, the Government of Kerala has notified as per G. O. (P) No. 46/2013/PD (S.R.O. No. 871/2013) dated 31st October 2013, the Kerala Electricity Second Transfer Scheme (Re-vesting), 2013 for re-vesting the functions, properties, interests, rights, obligations and liabilities of Board/KSEB from State Government to Kerala State Electricity Board Limited and also for the transfer of personnel of the erstwhile Board/KSEB to Kerala State Electricity Board Limited and for determining the terms and conditions on which such transfers and re-vesting shall be made.

AND WHEREAS, the State Government, the KSEB Limited and the employees and officers of the Board/KSEB are desirous of entering into an agreement to ensure the service conditions consequent to the re-vesting as envisaged under the Electricity Act, 2003 with a view to facilitate smooth implementation of the re-vesting scheme.

NOW, THEREFORE, IN CONSIDERATION of the promises and mutual conditions set forth herein, it is agreed by and among the parties as follows:

(1) In so far as this Tripartite Agreement is concerned:

(i) "**Board**" means Kerala State Electricity Board constituted under Section 5 of the erstwhile Electricity (Supply) Act, 1948 (54 of 1948), of which all functions, properties, all interests, assets, liabilities and personnel were vested in the State Government in the name of "Kerala State Electricity Board" after the notification of Transfer Scheme dated 25-9-2008;

(ii) "**Kerala State Electricity Board (KSEB)**" means the undertakings of the Board vested in Government of Kerala through notification vide S. R. O. No.990/2008 dated 25/09/2008 by which State Government is administering the functions of the Board by appointing the Special Officer and a Managing Committee till the date of re-vesting of the functions, properties, interests, rights, liabilities, proceedings and personnel to the transferee in accordance with the Electricity Act, 2003 and the Kerala Electricity Second Transfer (Re-vesting) Scheme, 2013;

(iii) **"Kerala State Electricity Board Ltd."** means the Company incorporated under Companies Act, 1956 (1 of 1956) wholly owned by the Government of Kerala, in which the Government will re-vest the functions, properties, interests, rights, liabilities, proceedings and personnel in accordance with sub-section (2) of Section 131 and Section 133 of Electricity Act, 2003 and the Kerala Electricity Second Transfer (Re-vesting) Scheme, 2013;

(iv) **"Master Trust"** means the Trust to be constituted to manage the funds and to disburse terminal benefits, pension etc. and ensure interest of the existing, pensioners and the personnel transferred to the Kerala State Electricity Board Limited as on the date of revesting as regards payment of Terminal Benefits as defined in the Kerala Electricity Second Transfer (Re-vesting) Scheme, 2013.

(2) The State Government and the KSEB Ltd. hereby guarantee that:

(a) There will be no retrenchment of employees for any reason and their status/services will be protected.

(b) All the existing permanent employees *including Part Time Contingent employees* will be absorbed to KSEB Ltd.

(c) The terms and conditions of services of the existing employees such as promotions, transfers, wages, compensations, leave, allowances etc. upon transfer to KSEB Ltd. shall continue to be regulated by existing regulations/service rules in vogue and is guaranteed to continue as indicated hereunder.

(d) With regard to wage/pay revision, the present system of periodic bipartite negotiations and agreements shall continue.

(e) The State Government and KSEB Ltd. shall take all steps to assure the payment of pension including dearness relief and other terminal benefits of the existing employees and pensioners as on the date of revesting, in the same pattern as on today including periodical revisions as applicable. To ensure this the Government has allowed the KSEB Ltd. to retain the electricity duty for a limited initial period and the Government is open to review this retention based on the adequacy of the corpus fund thus created.

(f) All the existing welfare measures for the existing employees as on the date of revesting, like the scheme for compassionate appointment, medical reimbursement, family pension, commutation of pension, voluntary retirement, invalid pension etc. shall be continued.

(g) All benefits of the services rendered by the existing employees in Board/KSEB as on the date of re-vesting shall be protected and be given full effect.

(h) The period of service of the existing employees under the Board/KSEB and under KSEB Ltd. shall be treated as continuous service for the purposes of the service benefits and terminal benefits payable to the personnel.

(i) All the existing welfare benefits to the retired employees shall continue. All obligations in respect of payment of pension and other retirement benefits, including provident fund, welfare fund, superannuation pension, encashment of leave and gratuity to the employees who have retired and who are going to be retired from the service of the Board/KSEB as on the date of re-vesting shall be the liability of the KSEB Ltd. and in respect of, all statutory and other schemes relating to the employees existing on the date of re-vesting, KSEB Ltd. shall stand substituted for the Board/KSEB to all intents and purposes.

(j) The employees of KSEB Ltd. will be paid gratuity as per the Payment of Gratuity Act, 1972.

(k) Liabilities in respect of gratuity and superannuation benefits shall be discharged by 'Master Trust' to be constituted under the Indian Trust Act, 1882. To meet this liability, the KSEB Ltd. will issue bonds to the Master Trust to the extent of the unfunded liability of ₹ 7584 Crores as on 30-09-2011. Kerala State Electricity Board Ltd. will issue two series of bonds to the Master Trust.

***20 year bond with a coupon rate of 10% p.a. for ₹ 5021 Crores.**

***10 year bond with a coupon rate of 9% p.a. for ₹ 2039 Crores.**

The State Government will fund ₹ 3186 Crores (Three Thousand One Hundred and Eighty Six Crores) over a period of next 10 years to the Kerala State Electricity Board Limited on annual basis for meeting the unfunded terminal liabilities.

Another ₹ 524 crores will be funded by the Government through budgetary provision over next ten years in equal installments as per G.O. (Ms.) No. 43/2011/PD dated 3-11-2011.

State Government also agrees that the electricity duty collected by KSEB for the period from 1-4-2008 to 31-3-2012 will be retained in the Kerala State Electricity Board limited as its contribution for funding the terminal liability.

In addition to the above, the KSEB Ltd. will pay the annual pension contribution based on actuarial valuation to the Master Trust in respect of the personnel transferred to KSEB Ltd.

The unfunded liability upto the date of transfer will be borne and shared between the State Government and the Kerala State Electricity Board Ltd. Any addition to the liability of ₹ 7584 Crores will be borne and shared by the State Government and the Kerala State Electricity Board Ltd. in the ratio of 35.4: 64.6 respectively.

The liability of ₹ 7584 Crores to the Master Trust will be funded as per clause 6(9) of the Kerala Electricity Second Transfer (Re-vesting) Scheme, 2013.

The KSEB Ltd. shall pay the Master Trust, the accrued interest on the above bonds for the financial year on the first day of April every year.

The administration of the Master Trust shall be done through a Board of Trustee for which a separate Government Order will be issued. However, the Board of Trustee shall be from among the Chairman and Managing Director, Directors, Financial Adviser and Secretary/Company Secretary of Kerala State Electricity Board Ltd. and the representation from the Employee's Unions and Associations only.

(I) If for any reason the Master Trust is not able to meet its obligations relating to payment of pensionary benefits from its fund fully or partially, the State Government and the KSEB Ltd shall make good such shortages to ensure the payment of terminal benefits without any defaults.

(m) KSEB Employees Welfare Fund will be managed in future in the same manner as at present under the new set up and after revesting, the Governing Body shall meet and resolve on issues like change of name, bank accounts, investments in fixed deposits etc.

(n) All the existing agreements/settlements and liabilities of K.S.E.B. and Board shall be honoured by the KSEB Ltd.

(o) The existing employees transferred to the service of the KSEB Ltd. shall be deemed to have entered into an agreement/settlement with KSEB Ltd. to fulfill the obligations assumed by them with the Board / KSEB including in respect of repayment of loans, advances and other sums due which remain outstanding from the employees on the effective date. The transferee shall make all payments due to the personnel in the same manner and on the same terms and conditions that existed prior to re-vesting subject to relevant long Term Settlement negotiations and agreements entered into from time to time except in the case of payment of Terminal Benefits, which shall be administered through the Master Trust.

(p) Payment of pension of personnel who have joined the service in KSEB on or after 1-4-2013 will be governed by the Government Orders, Circulars and Guidelines issued from time to time in this regard as applicable to Government employees;

(q) KSEB General Provident Fund in respect of employees on the rolls of KSEB/Board as on 31-3-2013 will continued to be managed in the same manner as at present and the existing rules and regulations will continue to govern the functioning of the Provident Fund. The Government in exercise of powers conferred by the sub section (3) of the Section 8 of the Provident Fund Act, 1925, will issue necessary notification to add the name of the Kerala State Electricity Board Ltd. in the Schedule to the Provident Fund Act of 1925 to enjoy the benefits under the Act. *Provident Fund in respect of the employees recruited from 1-4-2013 will be governed by the Government Orders, Circulars and Guidelines issued from time to time in the regard as applicable to Government employees.* Inter-transfer of General Provident Fund with pension fund is banned and separate funds shall be maintained for pension fund.

(r) All official proceedings including disciplinary proceedings pending at the time of re-vesting shall be dealt with by KSEB Ltd.

(s) All the existing workload norms will be continued and changes from time to time will be finalized through mutually negotiated settlements.

(t) All the appointments now being done through the Kerala Public Service Commission in accordance with the provisions of the Kerala Public Service Commission (Additional Functions) Act, 1963 will continue as such and amendments in this respect, if necessary, will be notified by the Government.

(u) The State Government shall ensure that KSEB Ltd. fulfills all its commitments as agreed upon above and Government will issue necessary orders to this effect.

(3) This Tripartite agreement shall be read in conjunction with the Kerala Electricity Second Transfer (Re-vesting) Scheme, 2013.

IN WITNESS WHEREOF, the Parties hereto have caused this Tripartite duly authorized representatives on the day, month and year first herein at

Witnesses :

1.

2.

Signed by Shri. ....,
Secretary,
Power Department,
Government of Kerala.

For and on behalf of the Government of Kerala

Of the FIRST PART

Signed by Shri. ....
Chairman and Managing Director

Witnesses:

1.

2.

For and on behalf of
Kerala State Electricity Board Ltd.,
Vydyuthi Bhavanam, Pattom,
Thiruvananthapuram-4

Of the SECOND PART

Sl. No.	*Name of Signatory* *Name of the Union/Association* *Registration Number* *For and on behalf of the Unions representing workmen and officers* *(Of the Third part)*	*Signature*	*Witnesses*	*Signature of Witnesses*

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